









# E German engineering flagship on rocks

By Wolfgang Helms  
in Frankfurt

Sket, the flagship engineering group in the former East Germany, yesterday started bankruptcy proceedings after failing to agree on a restructuring plan with its workers.

Mr Oskar Lafontaine, leader of the opposition Social Democrats, yesterday urged the government to help rescue the company. Mr Reinhard Hüppner, SPD prime minister of Saxony-Anhalt, has also called on the government to supply emergency finance, but its ability to provide further subsidies are constrained by budgetary constraints and EU rules.

programme rejected by its workers the company would have been sliced up into smaller units, with the loss of more than 1,000 jobs. Sket currently employs around 1,850.

accused the management of an orchestrated conspiracy to drive the company into bankruptcy. After the fall of the Berlin Wall, Sket emerged from the Ernst-Thälmann combine, named after the famous German Communist leader in the 1920s, whose statute still stands in front of the company's head office.

fell under the hammer of the Treuhand privatisation agency. In 1994, the Treuhand allowed two northern German businessmen to take over with a promise to break even by 1996.

facing in both parts of Germany. High domestic labour costs and cheap foreign competition have contributed to the decline. The commercial and financial difficulties of Sket and other eastern German companies have also exacerbated a lingering controversy between Bonn and Brussels over subsidies the former pays to keep eastern German companies afloat.

# Perry presses case for Start-2

By John Thornhill  
in Moscow and Bruce Clark  
in London

Mr William Perry, US defence secretary, visits Moscow today, hoping to persuade Russian legislators to ratify the Start-2 agreement on long-range nuclear arms.

But Moscow hinted it might seek amendments to the treaty, signed in January 1993, which commits the US and Russia to dismantle about two-thirds of their strategic nuclear warheads.

An unnamed defence ministry official told Interfax news agency yesterday his country would seek "quantitative and qualitative" changes. The ministry said that was the opinion of one official and should not be interpreted as a formal negotiating position.

Mr Perry may face a rough ride in the Russian parliament where communist and nationalist deputies have attempted to link ratification of Start-2 with Nato's eastward enlargement plans.

Some Russian strategists want to link acceptance of the treaty to a promise by Washington it will abide by a strict interpretation of the Anti-Ballistic Missile treaty. US conservatives strongly oppose this and have urged the Clinton administration to develop an anti-missile defence which could if necessary be shared with Russia.

The Start-2 accord has been criticised by Russian hardliners for eliminating land-based multiple warheads, where the Soviet Union was strong, while keeping submarine-based systems in which the US had an advantage.

However, Russia's defence ministry still appears to favour Start-2 as a way of releasing resources for the creation of a more mobile, professional army.

Full implementation of Start-2 obliges each side to limit itself to less than 3,500 warheads by the year 2003.

# Russian tractor maker ploughs stony furrow

A row of gleaming tractors stands outside the factory which makes them in Vladimir, about 100 miles from Moscow. But inside the vast engine shop, the conveyor belts are motionless and there is little for the small groups of workers to do.

organisation was broken down, with every department from the iron foundry to the transport fleet expected to work as a stand-alone business, competing for work from the factory and encouraged to find other customers.

problems for companies. The banks are putting all their money into GKOs, says Mr Bakaleynik. He cannot afford to borrow to invest, and neither can a farmer needing a new tractor. It is hard to borrow internationally - "people are not hot for agricultural machinery".



Plant director Iosif Bakaleynik: struggling to turn company round in economy starved of cash

But, this year, the factory will produce only 2,000 tractors and 10,000 engines.

# Tom Lynch learns how government policy has knocked hope of recovery

Three years ago, the Vladimir tractor factory looked to have a fighting chance, with fresh investment from new owners - a consortium of US-based and Russian investors attracted by strong foreign markets and a home market expected to devour tractors to replace worn-out collective farm vehicles.

about a quarter of break-even levels and down from 11,000 and 16,000 on privatisation. It is still the city's biggest employer, but the workforce has shrunk from 18,000 in 1993 to 8,000 now, and another 1,000 will be gone by Christmas.

that managers are the last to be paid. Widespread late payment in the public and private sector has created wage arrears of Rb40,000bn (\$7.5bn). "The government and business are borrowing that from employees without their consent. Workers are financing the Russian economy at the moment."

down: a change in exchange rate policy to weaken the rouble, and in monetary policy to print more roubles, even if inflation rises to around 25 per cent.

His customers, the farmers are paid too little, he says, and what government support there is benefits banks more than food production.

He voices a very un-Harvard-like thought: "All over the world agriculture is subsidised. Some day the government will have to come in here, too."

The new Harvard-educated general director, Mr Iosif Bakaleynik, set about restructuring the vast plant, built in 1945 to turn pig iron into 35,000 tractors and up to 140,000 extra engines a year for other Soviet plants.

No-one had bargained on an economic policy that hammered inflation, stabilised the rouble and sucked money out of the economy by government borrowing at interest rates exceeding 200 per cent earlier this year with a succession of treasury bonds (GKOs).

He admits that the factory is bankrupt by western standards and keeps afloat partly by cutting workers' hours and delaying paying wages, which are running about four months behind. "In essence, we have to borrow from our workers instead of from the banks." He insists

The solutions sought by Mr Bakaleynik and other Russian industrialists are not likely to appeal to economic policymakers determined to keep inflation

Mr Mostovoi said the six listed companies had paid "an abysmally small" percentage of turnover in tax this year and were indulging in tax dodges. The targeted enterprises include Tatneft, a large oil

# Moscow threat to companies over unpaid bills

By John Thornhill  
in Moscow

The Russian government yesterday stepped up its campaign to raise desperately-needed tax revenues by threatening six big enterprises with bankruptcy procedures unless they settle their bills within a week.

producing company, and the Kamaz truck plant, both in the semi-autonomous republic of Tatarstan. Tatneft had been planning to sell shares abroad later this year.

The move is the government's most serious attempt to crack down on tax debtors, which have undermined its budget resulting in delayed payments to millions of pensioners, soldiers and civil servants.

Two other oil companies, Purneftegaz and Krasnodar-nefteintez, were also targeted and Mr Mostovoi said another 10 enterprises might soon be added.

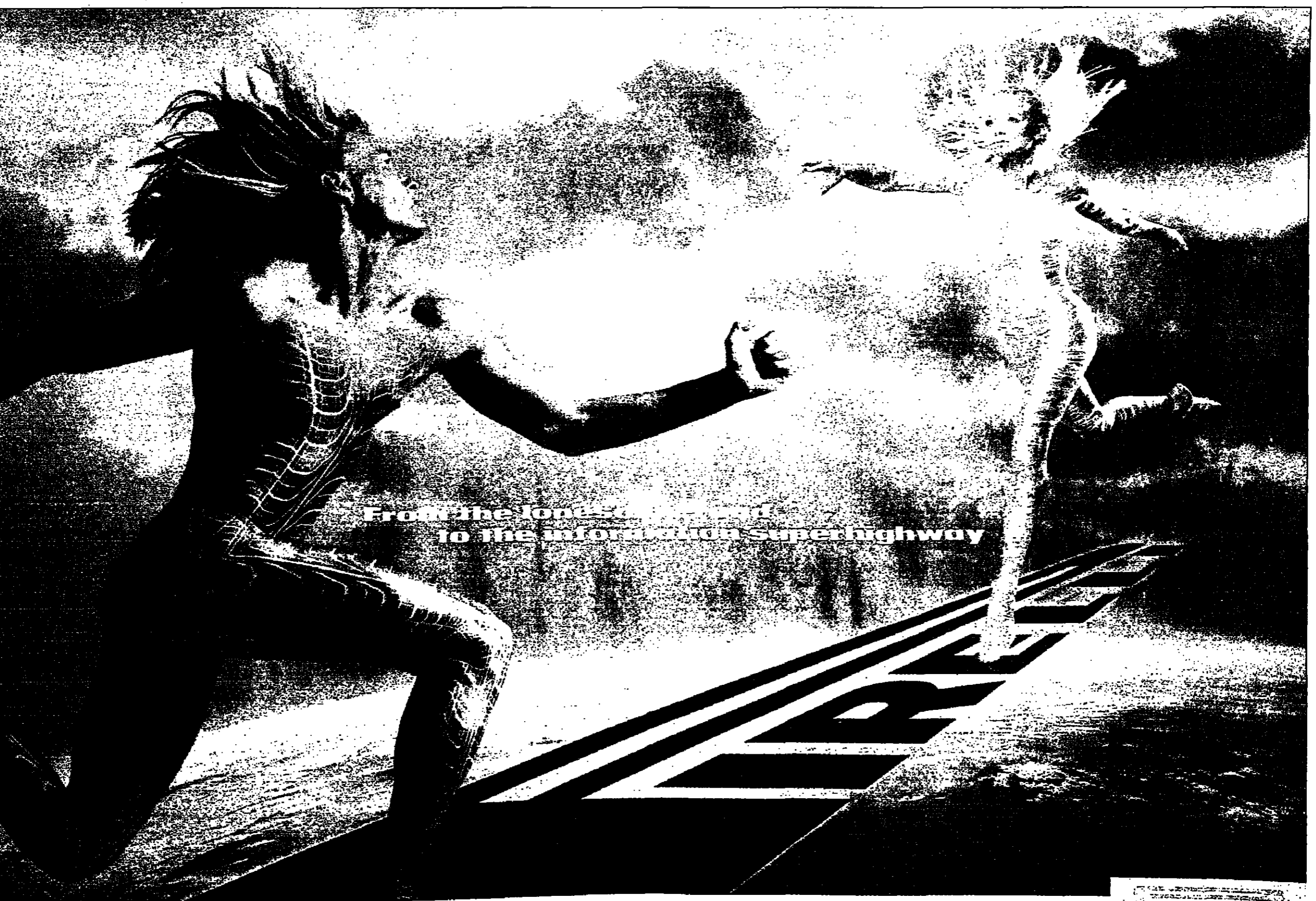
Mr Pyotr Mostovoi, head of the federal bankruptcy agency, yesterday denounced the "unscrupulousness" of 185 big and, in many cases, profitable enterprises which collectively accounted for half the Rb550,000bn (\$9bn) tax arrears in the first eight months of the year.

Some economists doubted the threat of bankruptcy procedures would be ineffective. Less than 1,000 companies have ever been declared bankrupt in Russia. Many cases have become bogged down in the courts for months, exhausting the resources of the federal bankruptcy agency.

There is also bound to be controversy over which companies are targeted given the endemic nature of the late-payment problem. Gazprom, Russia's giant gas monopoly which owes Rb15,000bn in back taxes, was absent from the list - the company claims its customers owe it three times more.

The International Monetary Fund, which has backed Russia's reform programme with a \$10.2bn three-year loan, has urged the government to become more aggressive in chasing debtors.

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NEWS: THE AMERICAS

# Genteel Dole uneasy at call for blood

Jurek Martin on Republican pressure for contender to take low road in final debate

If some senior Republicans and the rightwing media and talk show circuit have their way, there could be blood on the floor in San Diego tonight after the second and final presidential debate.

Their advice to Mr Bob Dole, the party's presidential candidate, is that his quest for the White House will surely be lost unless he does the mailed fist and smashes President Bill Clinton to the ground with a barrage of blows aimed at the incumbent's character, morals and downright political venality.

Just in case Mr Dole has not got the point, they have been providing him with what they see as a damning list of indictments, extending beyond the familiar ground of Whitewater, "travel-gate", "file-gate", the downfall of Mr Dick Morris, the disgraced presidential strategist, and the president's own presumed sexual activities.

They are now throwing in alleged new scandals, from Mr Clinton's relationship with an Indonesian business empire, to suborning the immigration service to ensure a fresh supply of Democratic voters.

Mr Bill Bennett, former Republican education secretary and writer on moral issues, is merely the most respectable of those urging Mr Dole to go all the way. Writing in the current edition of Newsweek magazine, he fulminates that Mr Clinton is a "likeable, engaging man whose word cannot be



Bob Dole points to a picture of himself as a young soldier that was presented to him during an arrival ceremony in San Diego

trusted". "The Dole camp must remind the people why public character matters and why Bill Clinton cannot be trusted," he says. He regrets that the effort was not made more consistently and earlier, but his advice is "better late than never".

The editorial pages of the Wall Street Journal, a scourge of the president since he came to office, has gone into overdrive on what it called last week "the relationship between Bill Clinton and the billionaire [Mochtar] Riady family, which is to say between the corruption-prone provinces of Arkansas and Indonesia". No one has yet proved

anything, though Mr Newt Gingrich, the Speaker, is already calling for a congressional investigation. Mr Dole demanded on Monday that Mr Clinton answer questions about his links to Asian businessmen.

But the mere fact that Mr Webster Hubbell, the former senior justice department official now serving time for overbilling clients at the Arkansas law firm where Mrs Hillary Clinton was also a partner, may have acted as a go-between the Riadys and the president is considered tantamount to something more than fishy.

Mr Alan Loudell, programme director of a news

radio station in Wilmington, Delaware, said this week that his office faxes were overflowing with re-prints of the Journal's editorials and other articles by conservative commentators, such as Mr William Safire of the New York Times.

Ms Mary Matalin, wife of Mr James Carville, Mr Clinton's strategy guru four years ago, is now a radio talk show host, outbidding even Mr Rush Limbaugh, the biggest star in the business, in her innuendo-laden invective against the president.

Last week she could barely contain herself over a story in the Washington Times, another newspaper that does

not view Mr Clinton with affection, that immigration rules were being twisted on orders from the White House with a view to swelling Democratic voter registration. Even those with criminal records were being admitted into the US, though hard evidence of that, which would be against the law, seemed scant.

But, amid all this sound and fury, there is a problem. It is far from clear that Mr Dole himself will do as bid. He certainly did not in his first debate with Mr Clinton 10 days ago in Hartford, Connecticut. Nor did his running mate, Mr Jack Kemp, in his Florida showdown with vice-president Al Gore last week. Both Republicans were roundly criticised in rightwing circles for their approach.

Although both hinted at a tougher line in campaign appearances over the weekend, they are products of the occasionally sharp but generally more genteel school of congressional debate, and neither seems comfortable with taking the low road.

According to Newsweek, Mrs Liddy Dole is particularly concerned that what could be her husband's last campaign should leave a nasty taste in the mouth.

Public opinion generally is taking an increasingly dim view of negative campaigning, and is paying little attention to many of the stock Whitewater-related charges against Mr Clinton. A recent Time-CNN poll found about 60 per cent

already believed Mr Dole had been too harsh and negative towards the president, three times more than the other way round.

The format for tonight's debate may also persuade Mr Dole to be circumspect. Unlike the first encounter, where a single moderator posed questions in front of an audience under orders not to react, this one is in the style of a "town meeting", with the candidates fielding questions from the floor and interacting more directly with the crowd.

There is, therefore, a much higher risk of a chorus of boos should the Republican candidate turn seriously nasty on Mr Clinton. That could turn out to be counterproductive for Mr Dole, as well as giving the president the openings for some of the deft responses of which, at his best, he is eminently capable.

Still much adrift in both national and most state polls, Mr Dole's apparent lack of personal animus towards Mr Clinton together with his longstanding respect for the office of the presidency, has stood in sharp contrast with many Republicans convinced that the White House is occupied by a man devoid of moral values and principles.

Thus it could be said that Mr Dole tonight faces the simple choice of losing honourably or dishonourably. Only he, not Mr Bennett and no newspaper, can make the ultimate decision.

AMERICAN NEWS DIGEST

## ADM bosses face probe

US Justice Department officials said yesterday that two senior executives of Archer Daniels Midland remained "available for prosecution" in spite of a plea agreement on price-fixing charges formally unveiled yesterday with the company. ADM executives and employees are bound under the agreement to co-operate with federal investigators on any further probes into the company's main markets, and also with an inquiry into the theft of trade secrets currently being conducted in Illinois and Alabama. The company must still resolve a pending civil case by customers in the high-fructose corn syrup market. *Laurie Morse, Chicago*

The company yesterday entered a guilty plea and agreed to pay a record \$100m in anti-trust fines over global price-fixing activities involving lysine, an animal feed additive, and citric acid. In exchange the company would receive immunity from further prosecution over those two products and over high-fructose corn syrup - a \$5bn per year market. ADM executives and employees are bound under the agreement to co-operate with federal investigators on any further probes into the company's main markets, and also with an inquiry into the theft of trade secrets currently being conducted in Illinois and Alabama. The company must still resolve a pending civil case by customers in the high-fructose corn syrup market. *Laurie Morse, Chicago*

## Halt seen to US inflation dip

A six-year trend of lower US inflation may be coming to an end, though only modest threats of faster price growth appear on the horizon, Mr Mark Rogers, Atlanta Federal Reserve Bank economist, said yesterday. Creeping wage pressure and higher energy prices should ultimately filter through the US economy, stalling further inflation reduction, said Mr Rogers. "By saying the best news is behind us, I think prices will no longer be as soft, but... we won't see the inflation picking up either," he said. *Reuters, New York*

## Anti-Peronists eye alliance

Argentina's two leading opposition parties moved a step closer to forging an alliance against President Carlos Menem's ruling Peronists. "We'll have to chart common strategies to face greater challenges in the near future," former President Raúl Alfonsín of the Radical party said after meeting Frepaso leader Mr Carlos "Chacho" Alvarez on Monday. Mr Alvarez was bolder, saying the parties hoped to run together in some districts in next year's mid-term elections. "It would be good if in 1997 we have joint slates [of candidates] in as many districts as possible," said Mr Alvarez. *Reuters, Buenos Aires*

## Chevron 'unfair to women'

More than 750 current and former female Chevron employees are suing the oil company, contending it unfairly hired, promoted and gave top projects to men over women. The closely watched sex discrimination suit follows last year's \$2.2m out-of-court settlement on related sexual harassment claims. The current class-action lawsuit, expected to affect similar suits against other companies, contends Chevron routinely passed over qualified women for promotions and gave male counterparts salaries as much as \$80,000 higher. A spokeswoman for San Francisco-based Chevron said the company did not tolerate or encourage discrimination against women. *AP, San Francisco*

# Congress 'anti-foreign policy' says Holbrooke

By Patti Waldmeir in Washington

Mr Richard Holbrooke, former US assistant secretary of state, said yesterday that the outcome of next month's congressional elections could be crucial to the future course of US foreign policy, and would have a much larger impact than the presidential poll.

Despite criticisms of President Bill Clinton's foreign policy by Mr Bob Dole, his Republican chal-

lenger, differences between the two men over the issue were in fact limited, Mr Holbrooke told a seminar on foreign policy at the Brookings Institution. Mr Dole has recently stepped up his attacks on what he calls Mr Clinton's "photo-op foreign policy," but has failed to outline a policy significantly different from that of the president.

"It is Congress more than any other factor that has been an

obstacle to assertive American leadership in the world" during the current administration, Mr Holbrooke said. He criticised the current Congress for being "anti-foreign policy".

"Members of Congress come to Washington under the impression - true or false - that the American public does not want to spend a penny on foreign policy," he said. But he welcomed the fact that his current election campaign was

being fought with scarcely a reference to foreign affairs. "The debate over foreign policy is not ill-served by being ignored," he said, adding that US policy in a post-Cold War world should not be decided on the hustings.

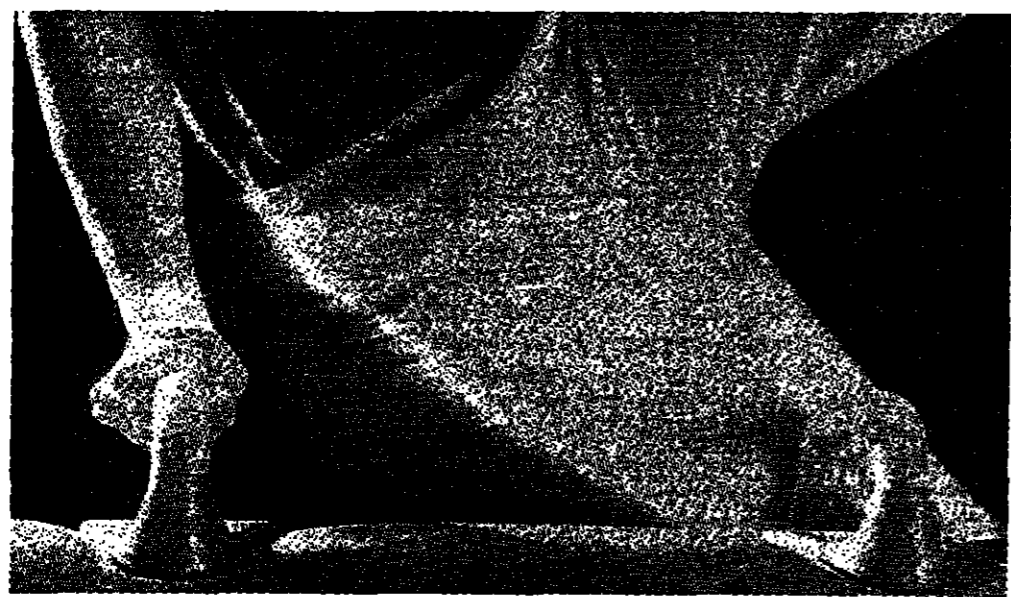
The US faced "a window of opportunity" to pursue a more assertive, more "engaged" foreign policy, assuming the re-election of President Clinton and renewed Democratic control of Congress.

"This administration has laid the basis for a very strong foreign policy in a world where US dominance is challenged," he said.

Mr Holbrooke, chief US negotiator of the Bosnia peace deal, argued for a continued international security presence there. "We cannot go from 60,000 forces to zero," he said, in reference to the 60,000-strong international peacekeeping force, which includes 20,000 American troops.



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# PRI ends 20-year trend of Mexican rule by technocrat

Stephen Fidler and Leslie Crawford on a ruling party reform being called 'revenge of hardline'

The rank and file of Mexico's ruling party last month dealt a severe blow to the US-educated technocrats that have dominated the upper echelons of government for two decades. But changes they agreed at a party assembly do not appear to have done much to help the party win elections in Mexico's increasingly competitive electoral system.

When President Ernesto Zedillo took office in December 1994, he promised to distance himself from his Institutional Revolutionary Party (PRI) and vowed to give up choosing the party's candidates for high office, a power enthusiastically exercised by his predecessors.

The party took him at his word. Last month's assembly jettisoned the party commitment to "social liberalism", replacing it with "revolutionary nationalism", a largely symbolic consequence of an economic crisis and a backlash in the PRI against former president Carlos Salinas, now viewed as a political and electoral liability.

It voted to oppose government plans to privatise the petrochemicals industry, a move that resulted in the cancellation this month of the government's privatisation plans for the industry. But most significant of all, the assembly agreed new procedures aimed at restricting the eligibility of PRI candidates for president or governor. Henceforth, only people who have been party members for 10 years or more who have also previously held elected office will be able to stand as PRI candidates.

Such a change is more fundamental in Mexico than in most other countries. The PRI has in one name or another ruled Mexico since 1929 and its presidents have picked their successors and chosen state governors. Elections until recently served only to rubber stamp the presidential choice.

The decision reverses a 20-year trend in the PRI. Since the mid-1970s, when Mexico entered the first of a series of economic crises, so-called technocrats have dominated the cabinet and through the



Ernesto Zedillo has seen presidential power wane

presidency, the party. The new rules would have barred Mr Zedillo and his three predecessors from running for office.

Mr Zedillo opposed the rule changes. But in a sign of how presidential power has waned, he failed to convince the party assembly, sections of which were more interested in increasing their own power within the party than in pleasing the president.

"It's the revenge of the hardline against the technocrats," said Mr Guillermo Valdés, a political analyst at GEA consultants in Mexico City.

In an interview before the assembly was held, the PRI's secretary-general and number two in its hierarchy, Mr Luis Rubio, predicted that Mr Zedillo would be "the last candidate to be chosen in the traditional manner from the closed circle around the president".

Indeed, the decision splits the cabinet between those eligible to be a presidential candidate - currently only the interior minister, Mr Emilio Chuayfret - and those who are not, such as Mr Guillermo Ortiz, the finance minister. If cabinet

members wish to seek elected office, they will, under the constitution, have to resign.

Mr Rubio, director of the Centre of Development Studies in Mexico City, said this division into two classes of cabinet ministers had already set up an intensified rivalry between ministries. Furthermore, many government officials - the so-called technocrats - considered the ruling a severe blow, since it blocks their traditional route to power.

One senior government official, who asked not to be named, agreed. "The bureaucracy felt it had been hit below the belt," he said.

He said the move could have other ramifications. "The PRI made a big mistake at its national assembly. It is closing in on itself when what the country needs is a more open, more inclusive party."

For example, the decision will make it almost impossible for businessmen to stand as PRI candidates even if they have been long-standing backers of the party. This could be crucial to finding winning candidates for governorships of states such as Nuevo Leon, home of

Mexico's industrial capital Monterrey.

According to Mr Valdés: "The new rules have transformed the PRI into a bunker." He added: "Lobbying for the presidential succession has already begun."

Rivals will seek to position as many supporters as possible for the 1997 elections and jockey for influence in the PRI's National Political Council, a 300-member politburo which chooses the party's presidential candidate for the year 2000.

This is bound, he said, to increase the difficulties for the government in pushing through its legislative agenda after the 1997 congressional elections - even if, as is still the conventional expectation, the PRI's impressive though weakening political machinery manages to ensure a majority in Congress.

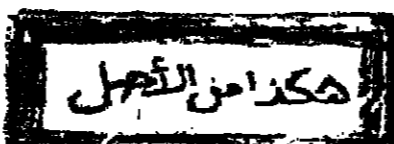
Mr Agustín Basave, director of the Fundación Colosio, a PRI think-tank, said the assembly's decision indicated the emergence within the PRI of a "new political culture that is more vocal and less submissive" - and, probably, more populist.

To secure its legislation, he said, "the government will have to lobby more. It will make the relationship between the executive power and the legislative power more balanced."

Nonetheless, while the changes agreed were important, they were "not sufficient to create a new party", a modern political organisation equipped to fight competitive elections under new rules now being finalised by all the main political parties.

Such more fundamental changes would have to wait another party convention after 1997. However, Mr Basave added: "If we do well in the 1997 elections, there's a danger it will inhibit further reform."

In fact, some reform-minded party officials believe that, given the evidence from last month's assembly, fundamental modernisation of the party will have to await defeat in the presidential election.





# High growth Hanoi attacks corruption

By Jeremy Grant in Hanoi

Vietnam's prime minister, Mr. Vo Van Kiet, yesterday opened the country's National Assembly with a speech in which he attacked corruption, but also praised the country's rapid economic growth.

Mr. Kiet said that the government was committed to fighting corruption, but also to maintaining the country's rapid economic growth. He said that the government was committed to fighting corruption, but also to maintaining the country's rapid economic growth.

Mr Cao Si Kiem, head of Vietnam's central bank, said yesterday there would be no devaluation of the local currency, the dong, writes Jeremy Grant. His comments appeared designed to counter speculation the bank was advocating a devaluation which some Vietnamese economists say would be a way of boosting exports.

However Vietnam's main exports are commodities such as crude oil and rice and are denominated in dollars, so it is by no means certain that a devaluation would have such an effect.

# Suharto meets E Timor critic

By Manuela Saragosa in Jakarta

President Suharto of Indonesia made a rare planned visit to the disputed territory of East Timor yesterday to inaugurate a 27-metre statue of Jesus Christ.

Mr Suharto's visit came amid renewed attention on the country's human rights record following the award of the Nobel peace prize to two leading critics of Indonesian rule in the mainly Roman Catholic East Timor. The Indonesian military is regularly accused of brutal repression and the United Nations has not recognised Indonesian rule.

after religious differences sparked anti-Christian rioting on the island of Java, where over 50 per cent of the country's mainly Moslem population lives. Speaking in the East Timor capital, Dili, the president insisted that the state guaranteed the freedom of religion.

Moslem leaders have condemned the attacks, which have raised questions about the country's reputation for religious tolerance. Five people died and at least 18 Christian churches were burned by Moslem rioters.

The riots could have serious ethnic as well as religious implications, Indonesia's ethnic Chinese, a minority resented for its disproportionate hold over the country's private wealth, are mostly Christian.

President Suharto, who rarely makes statements on East Timor and has not visited the territory since 1988, acknowledged yesterday that there were "still a lot of problems" in the former Portuguese colony, which Indonesia invaded in 1975 and annexed a year later.

The president shook hands with Bishop Carlos Ximenes Belo, who shared this year's Nobel peace prize with Mr Jose Ramos Horta, the exiled spokesman for the East Timorese resistance movement. Witnesses said Mr Suharto and Bishop Belo did not exchange words.



Suharto (left) shakes hands with Bishop Carlos Belo

# Japan group plans to halve air fares

By William Dawkins in Tokyo

Another crack appeared yesterday in Japan's tightly controlled domestic airline market, when a second business group announced plans to operate a cut-price service between Tokyo and the northern city of Sapporo, one of the world's busiest routes.

A consortium of 25 small and medium-sized companies on the island of Hokkaido, led by Mr Teruo

Hamada, president of a poultry group, said it planned to lease aircraft and halve standard fares.

The consortium will seek permission from the transport ministry and aims to start flying in early 1998. Mr Hamada's plan comes a day after Japan's largest discount travel agency, Tokyo-based HJS, said it intended to launch Japan's first internal airline since 1951, with services to start in two to three years.

Their plans came in response to a

surprise change of policy at the ministry, which now says it will give priority to new applicants for domestic routes.

Until now, it has restricted the domestic market to an oligopoly of three main carriers, All Nippon Airways, Japan Airlines and Japan Air Systems. This marks a shift from the Japanese bureaucracy's tradition of favouring business lobbies over consumers.

The new airlines' opportunity to start business will come next spring, when 40 new daily slots are to be made available at Haneda airport, just outside Tokyo.

Mr Hamada said his group was also motivated by disappointment at the partial deregulation of formerly government controlled domestic fares last June. That led to a small rise in fares, from ¥23,000 (£136) for a single trip from Tokyo to Sapporo, to between ¥23,200 and ¥23,400, depending on the airline, rather than a hoped for cut.

## US inflation

US inflation may be lower than expected, says the US Commerce Dept. The annual rate rose 0.5 per cent in September, the lowest since July 1995.

## Mr Kiet, a reformer who

Mr Kiet, a reformer who has been a driving force behind the country's market-oriented reforms in the last 10 years, said economic growth this year should reach 9.5 per cent. Double digit growth was possible next year.

## Low competitiveness

Low competitiveness in the industrial and agricultural output were up. However, the speech included a sober assessment of weaknesses, carefully outlined in a political climate where debate is largely stifled by the one-party system.

## ASIA-PACIFIC NEWS DIGEST

### Slim majority seen for LDP

Japan's conservative Liberal Democratic party, dominant member of the government coalition, might win a small majority in next Sunday's general election, according to a poll published yesterday. The survey of 150,000 voters carried out by the Nihon Keizai Shimbun newspaper showed the LDP would win 281 seats in the new 500-seat lower house of parliament. That compares with the 211 seats the LDP held in the old 511-seat house, dissolved last month to pave the way for an election under a new electoral system and a slightly smaller parliament.

Other surveys had suggested the LDP would increase its number of seats but again fall short of a majority and have to form a new coalition. Even with a one-seat majority, as yesterday's poll indicates, the party would need a coalition partner to ensure stable government. Main candidates for partners are two centre-right and centre-left parties.

William Dawkins, Tokyo

### Japanese bankruptcies fall

Corporate bankruptcies in Japan fell 65 per cent in the first six months of the financial year, the first year-on-year decline since 1994, Teikoku Databank, a private research agency, said yesterday. But the number of bankruptcies, at 7,076, in the six months to September, marked the fourth half-year in succession that the figure has been above 7,000, suggesting companies still face substantial financial difficulties in a fragile economic recovery.

Most were attributable directly to weak demand, reflected in falling sales revenues, Teikoku said. But the number resulting from competitive price-cutting rose for the fourth consecutive half-year, by 40.6 per cent from a year earlier. Total liabilities in the six-month period came to ¥2,880bn (\$25.7bn), down 38.5 per cent from the same period in 1995, the agency said.

Gerard Baker, Tokyo

### New shares row resignation

A second senior member of Australia's federal government resigned yesterday as a future over potential conflicts of interest between ministers' private investments and their portfolio responsibilities continued to dominate parliament. Senator Brian Gibson, parliamentary secretary to the treasurer, stepped down after conceding a possible conflict of interest involving shares in Boral, the Australian building materials and energy group.

In late June, Senator Gibson signed an official exemption notice, allowing Boral Energy access to the Victorian exempt futures market. He said he believed he and his wife had sold their shares in Boral at this time, but this was incorrect.

Senator Gibson's departure follows the resignation of Senator Jim Short as assistant treasurer, in similar circumstances. Senator Short had approved a banking licence application from ANZ while retaining shares in the same bank. He claimed this was an oversight. His several decision to step down meant the first ministerial loss for the new conservative government, which took office in March.

Nikki Tait, Sydney

### Bolger inflation target pledge

New Zealand's Prime Minister Jim Bolger is prepared to ease the Reserve Bank's 0.2 per cent inflation target in an attempt to woo the New Zealand First party into joining a coalition with his National party, he said yesterday. His comment followed the release of September quarter consumer price index which showed a 0.6 per cent rise, giving 2.4 per cent for the year. This broke the Reserve Bank target but was substantially lower than predictions of about 2.7 per cent. The unexpectedly low figure saw the share market jump 57 points to a 30-month high; interest rates fell sharply and the dollar stayed firm.

Mr Bolger said compromises were essential if the National party was to form a coalition. National was the only main party before last weekend's election that sought to keep the 2 per cent inflation target. NZ First, which holds the balance of power following Saturday's inconclusive election, wanted the target to be based on the average inflation rate of the country's trading partners.

Terry Hall, Wellington

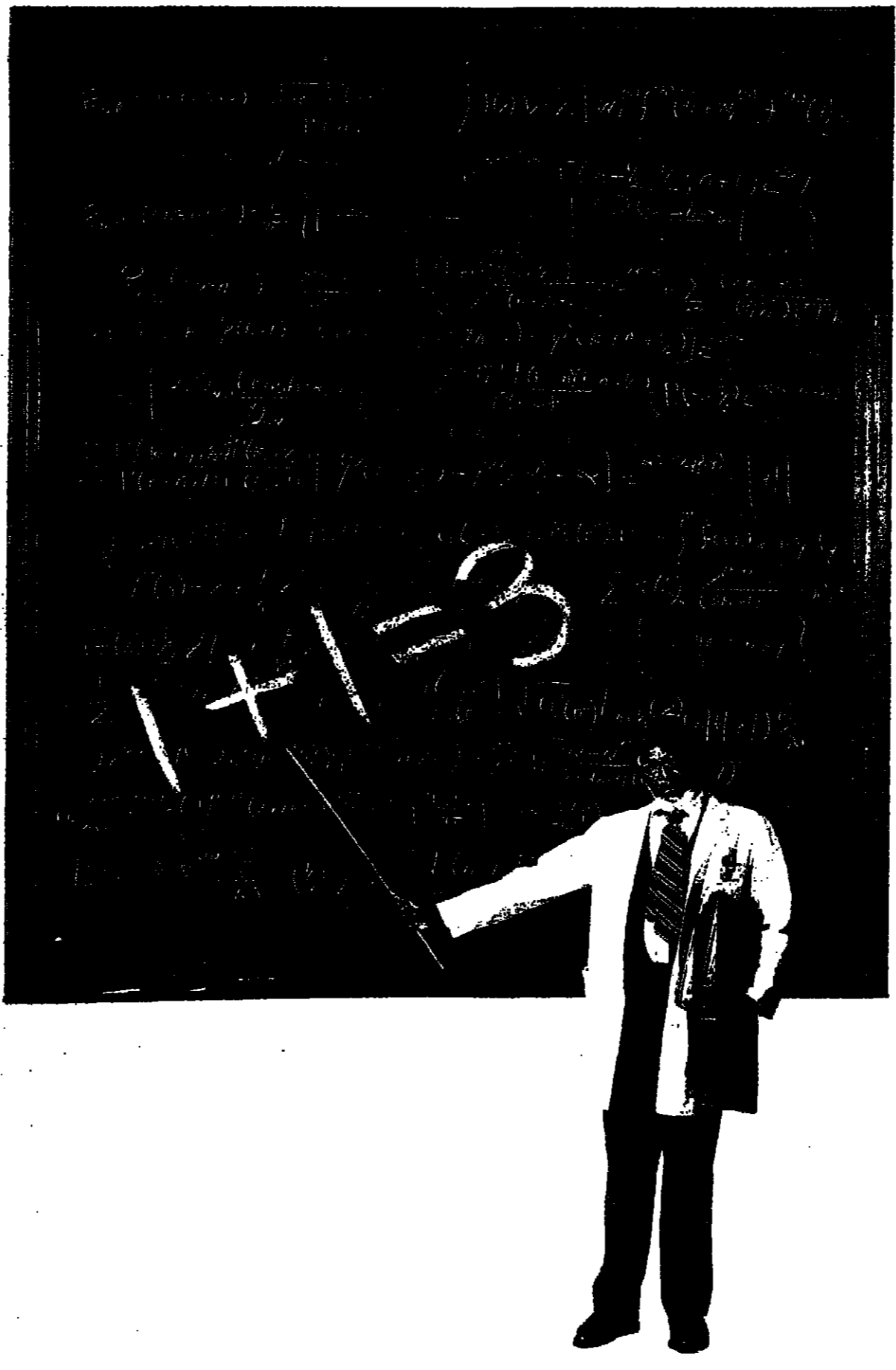
### EU seeks Korea policy say

The European Commission will today open talks aimed at securing a seat for the EU on the executive board of the Korean Peninsula Energy Development Organisation (KEDO), which is supplying safe nuclear energy to North Korea. Mr Stephen Bosworth, KEDO executive director, said he hoped to wrap up talks before the end of the year. The US, EU, South Korea and Japan are providing the bulk of the \$5bn cost of building new light water nuclear reactors in North Korea.

Mr Bosworth said the US supported a "direct" EU say in policy-making, though South Korea and Japan would like to weight decision-making according to the size of financial contribution. The project could face delay, he added, because of tensions over the North Korean submarine which landed on the South Korean coast recently.

Lionel Barber, Brussels

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NEWS: INTERNATIONAL

# Palestinians hail king's Jericho visit

By Judy Dempsey in Jericho

King Hussein of Jordan yesterday made an historic visit to the West Bank town of Jericho, 29 years after Israel captured the territory from Jordan during the 1967 Six-Day war.

The visit, hailed by Palestinians as evidence of a growing rapprochement between Jordan and Mr Yasir Arafat, president of the Palestinian Authority, contrasted sharply with the continuing strained relations between King Hussein and Mr Benjamin Netanyahu, the Israeli prime minister.

The previously warm relations between Israel and Jordan have deteriorated in recent weeks, with King Hussein accusing Mr Netanyahu of failing to implement the 1995 Israel-Palestinian Interim Agreement, in particular, the long-delayed redeployment of Israeli troops from the West Bank town of Hebron.

The region would be plunged into a new phase of instability if no substantial progress was made on the peace talks, the king declared.

The Israelis yesterday repeated their intention to

redeploy the troops "soon" and adhere to the agreement.

But they said the sticking point was the extent of the security for the 415 Jewish settlers surrounded by more than 130,000 Arabs in Hebron.

Mr Arafat, who accompanied King Hussein during his short visit to Jericho, suggested at a news conference that the US should participate in an international force as a means of breaking the deadlock over the security issue.

"I told them [the Israelis] that if you don't trust the

joint mobile units and you don't trust your soldiers or our soldiers, why not call upon the international presence with the participation of the American army?" Mr Arafat said.

Israeli government officials and diplomats said such measures, however interim, would not solve the problem.

This was because the Americans would be perceived by Palestinians as protecting the Jews, while Hamas, the Islamic resistance movement, would oppose the presence of any armed or unarmed US

forces. Mr William Perry, US defence secretary, said the proposal was not under active consideration.

Despite recent statements by Palestinian negotiators that the talks were "going nowhere", while Israel said "real progress" was being made, the US is now seen as playing a crucial role in narrowing differences between both sides for an eventual Hebron redeployment.

Mr Dennis Ross, the US special co-ordinator to the Middle East peace talks, has arranged for senior Israeli and Palestinian security officials to travel to Hebron, has

speeded up the communication channels between the Palestinian negotiators and Mr Arafat, and is constantly briefing Mr Netanyahu.

"I have never seen Washington play such a role as this before, in talks between the Israelis and the Palestinians," a senior Israeli official said.

"The US is more than 'facilitating' both sides; it is building up confidence between both sides and is more than determined to seek an agreement over Hebron and keep the peace talks firmly on track," he added.

# Mubarak's historic moment aims to make desert bloom

By Sean Evers in Cairo

President Hosni Mubarak of Egypt triggered an "historic celebration" yesterday when he diverted water into the Toshka overflow canal from Lake Nasser after record water levels.

It was the first time the reservoir behind the Aswan High Dam reached more than 178 metres since its construction in 1964.

As a result of this year's heavy rains in the Ethiopian Highlands, the source of 85 per cent of the water which flows into the Nile, the Egyptians will not have to worry about a water shortage for some time.

That is, as long as the Ethiopian authorities remain co-operative.

The Toshki Depression, which covers an area of 6,000 sq kms is located 30 miles from Lake Nasser.

The depression will be used to drain 4bn cu metres of water a day, and the authorities hope to use part of the excess water to reclaim thousands of acres of desert land.

Mr Mina Iskandar, chairman of the Aswan High Dam Authority said: "The increase of water level means that Egypt, for the next seven years, will be able to draw its annual



Hosni Mubarak triggered 'historic celebration'



share of 55.5bn cu metres of water, even if subsequent annual floods are low."

But the other nations that share the Nile basin, especially the Ethiopians, could spoil their downstream neighbour's hopes of continued success.

With the notable exception of an agreement signed between Egypt and Sudan in 1959, there are no comprehensive binding those nations in the use of the resource.

The 1959 accord, entitled "Agreement for the full utilisation of the Nile Waters", allocates the entire flow of the Nile to Egypt and Sudan as follows: 55 bcm for Egypt, 18.5 bcm for Sudan, and 10 bcm to expected surface evaporation.

Mr John Waterbury, professor of politics and international affairs at Princeton University, said: "The status quo has been defined by the 1959 agreement. "But none of the upper basin countries is happy with the status quo. For most, except for Ethiopia, gaining recognition of some rights to Nile water is not a top priority." After decades of warfare which ended in 1991, Ethiopia is ready to start rebuilding its economy. It plans to power its growth with a number of hydroelectric projects, and in June approved two "micro-dams" on the Blue Nile and the upper Atbara River, the main source of Egypt's water. Ethiopia claims there would be no long-term impact on the Egyptian sup-

ply. However, the Egyptian government has strongly condemned the proposed dams.

Egypt has initiated a war of words with Ethiopia via the press, claiming the dams were "being built in collaboration with Israel" in an attempt to weaken Egypt's position vis-a-vis the Middle East peace process.

Ethiopia and Israel have maintained strong diplomatic relations since the 1960s.

According to one western diplomat in Cairo, Ethiopia is trying to engage Egypt in negotiations over the Blue Nile, but Egypt will not entertain any discussion of its "life blood".

Ethiopia wants an agreement on paper that states it has a right to Nile water, and an outline of how much it can use.

Mr Waterbury said the Egyptian position since 1959 has been that "we can discuss anything so long as the 1959 allocation is not called into question, but discussions can only be fruitful once upstream states can support their claims with hard data".

Given the political and economic history of most of these states in the past 20 years, that is still a distant goal.

# UN food summit 'is not being taken seriously'

By Alison Maitland

Leading developed countries were yesterday accused by aid experts of failing to take seriously next month's United Nations world food summit and of watering down summit commitments to fight global hunger.

The UN Food and Agriculture Organisation said more than 100 heads of government had so far agreed to attend the summit, which was designed to be the highest-level meeting on world food problems held for half a century. About 200 were invited.

Ms Kay Killingsworth, secretary-general of the summit, said: "Hunger is something that offends everybody." About 800m people are chronically undernourished, including 200m children.

Ms Killingsworth declined to say how many G7 countries would be represented by heads of government.

The US has not yet decided who will head its delegation as the summit begins on November 13, the week after the election. But Canada and most European governments are expected to send either agriculture or

development ministers, to the likely disappointment of the FAO. The UK will be represented by Baroness Chalker, minister for overseas development.

The summit comes as world grain stocks have hit a 20-year low, and high prices have pushed up the food import bill of less developed countries by \$4bn this year.

Most details of an action plan, containing seven commitments for the summit, have already been agreed by a working committee. These include a target to halve the number of chronically undernourished people by 2015.

But aid organisations argue this is one of the only specific targets in a plan that amounts to platitudes.

Mr Simon Maxwell, of Sussex University's Institute of Development Studies, said: "This final document is devoid of targets, commitments and institutional reforms. It's just a declaration of principle."

He added that the US was believed to be "largely responsible", with the help of the UK, for removing specific commitments and funding requirements in the original FAO draft action plan.

INTERNATIONAL NEWS DIGEST

# Saddam's tanks 'on Arbil alert'

Thousands of Baghdad-backed Kurdish fighters yesterday prepared to defend the northern Iraqi city of Arbil against a rival faction, amid charges President Saddam Hussein had also put tanks on alert for its defence. Thousands of Kurdistan Democratic Party (KDP) fighters with guns and rocket-propelled grenades streamed into Arbil amid fears of an attack on the city by the rival Patriotic Union of Kurdistan (PUK). UN officials said. The Iraqi opposition charged, meanwhile, that Iraqi tanks had taken up "offensive positions" south-east of Arbil, in what looked like plans for another intervention such as the one that helped the KDP seize the city on August 31.

"This dangerous development indicates Saddam Hussein is preparing to intervene in the fighting in Iraqi Kurdistan," Iraqi National Congress leader Ahmad Chalabi said from London. He urged the international community to thwart Iraqi military action. US forces last month launched cruise missile strikes at targets south of Baghdad after Mr Saddam's previous intervention.

Mr Wolde Ammar, UN spokesman in Baghdad, said he could not confirm the UN report, but UN officials in northern Iraq said residents had told them they had seen 300-400 tanks approaching an area south-east of Arbil. Mr Jalal Talabani, the PUK leader, said his advancing forces would stop short of storming Arbil and expected its residents to liberate it from KDP forces. AFP, Arbil

# S Africa welfare blueprint

South Africa yesterday published a welfare policy blueprint designed to balance the racially-skewed apartheid-era benefits without significantly increasing the welfare budget. The 140-page policy white paper confirms the state's role as a provider of last resort for the destitute, but dashes any notion of a European-style welfare safety net.

There will be no change for the 2.8m people who depend on subsistence-level grants of various kinds, but the government plans to reduce its contribution to institutional care focused mainly on whites. University of Stellenbosch economist Servaas van den Berg, a Welfare Ministry consultant, said the proposals could add about R1bn (\$220m) to the present R13.9bn welfare budget over the next five years.

The policy paper proposed changes mainly in welfare services, which absorbed only 8 per cent of the welfare budget, and proposed no change to the child, family and pension benefit systems, (absorb 83 per cent of budget). More than half the country's children live in poverty, while 10 per cent of the population earns more than half the national income. Reuters, Cape Town

# Egyptians boost bank savings

Egyptians boosted their bank savings 11.6 per cent but increased borrowing by 20.8 per cent during 1995-96, the Central Bank said in a report published yesterday. Total assets in saving accounts in Egyptian banks amounted to E£174.9bn (\$51.4bn) an 11.6 per cent increase over the previous year.

Loans made by banks were put at \$7.8bn, 50.3 per cent of which were made to the private sector. Overall, borrowing increased 20.8 per cent over the previous year. Figures were the highest since Egypt started its large-scale privatisation programme in the 1980s. The report did not explain the increase in savings but it is believed to reflect high interest rates offered by Egyptian banks. Reuters, Cairo

# Ivory Coast starts to reap benefits of private sector

But Paul Adams finds reform plans a long way from realisation

Since independence in 1960 Ivory Coast has relied on state-controlled cocoa and coffee exports for its wealth and on France for aid and investment. Now that is all changing.

Mr Kablan Duncan, its reformist prime minister, plans to industrialise and open up the economy to the private sector. His efforts to attract multinationals from Europe, North America and Asia to develop its long-neglected oil, gas, mining and energy sectors started to pay off last month when United Meridian Corporation of the US and Anglo-Dutch Shell signed the first production-sharing contract to develop the country's deep water oil concessions.

The 50 per cent devaluation of the currency, the CFA franc, in January 1994 opened the way for massive donor credits and debt relief linked to IMF and World Bank approved reforms. Helped by strong prices for its commodities, the government reversed its budget deficit into a surplus, turned a shrinking gross domestic product into 6 per cent annual growth, cut debt arrears and kept inflation under control.

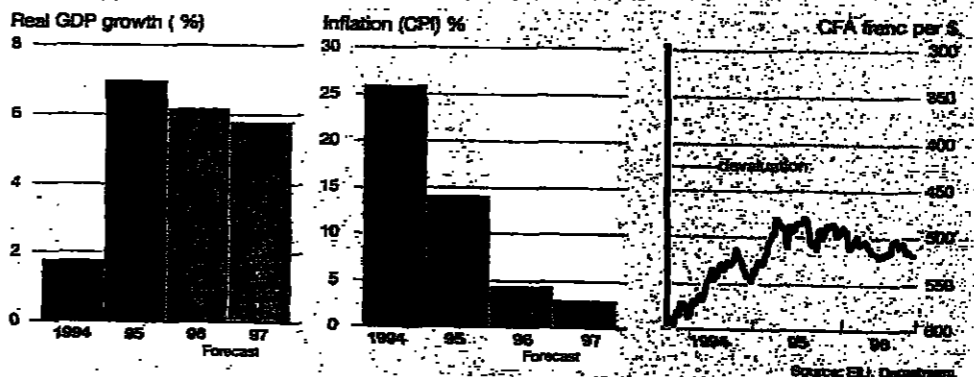
The reforms coincided with renewed interest by the oil majors in offshore west African oil and gas, and by international mining companies in mineral prospects across the region.

Progress has been most rapid in oil and gas. Fields in shallow water developed by UMC have transformed the country from complete dependence on oil and gas imports to energy self-sufficiency in less than three years.

The government's decision to use known natural gas reserves to fuel the expansion of the existing two small power stations - part of a plan to increase installed capacity for electricity generation by 150 MW every two years - has given more impetus to offshore development.

In July UMC began supplying gas to the refinery near Abidjan, replacing imported

## Ivory Coast: the economy turns the corner



liquid fuel for its power plant. Apache, the US operator, will soon start producing natural gas from the Forêt field to fuel a power station being built by Buoygues and Saur of France.

The government of Côte d'Ivoire and Petroci (the state oil concern) have created an environment conducive to successful investment," says Mr Joe Brusco, head of international exploration at Houston-based UMC.

A recent petroleum investment law improved incentives

to oil companies to risk exploration in the costly but potentially more rewarding deep water concessions.

Pave oil companies are conducting studies of the deep water and one of these, Elf Aquitaine, is expected to sign an exploration agreement in six months. Mr Lamine Padika, minister of oil and mining, said recently.

But the potential in mining has yet to be unlocked. Despite good prospects for gold, diamonds, nickel and iron, there are fewer than 10 international mining companies in Ivory Coast, whereas there are more than 100 in Ghana and 50 in Burkina Faso, neighbouring states where the geology is similar but the governments have been more open to foreign investment.

State protectionism and the lack of a clear legal

framework for investment are making an Ivory Coast gold rush a remote prospect. During a recent forum in Abidjan to attract multinationals, the government announced it had granted several new mining exploration licences exclusively to the state-owned Sodemi.

This caused an immediate protest from Golden Star of the US which claimed it had already been granted one of these concessions in return for carrying out geophysical surveys last year.

In 1992 Gencor, the South

it is only now beginning to develop.

"There are two main problems," says an engineer with another foreign mining group. "The supporting legislation for the mining code is not yet in place and without it we don't know what our costs or entitlements are. Secondly, we have to work with Sodemi, which operates more like a political organisation than a commercial company."

Reform or privatisation of the state mining group is one of many fundamental changes which are needed if Mr Duncan's reforms are to be realised, say western donors. Ivory Coast is already the fastest growing economy in Francophone Africa, but this is partly due to official aid and recent high commodity prices.

The World Bank is linking its next loan, the \$180m private development project, to a range of reforms including an overhaul of the corrupt judicial system, simplifying tax and duties, speeding up procedures at the ports, ending sea transport monopolies and allowing internationally recognised firms of accountants to operate in the country.

"There has been a remarkable turnaround, but we do not know if it is sustainable," says a western economist.

"The prime minister is way ahead of the rest of the government, but the vested interests against change are deep. We have to be sure that reforms are genuinely applied."

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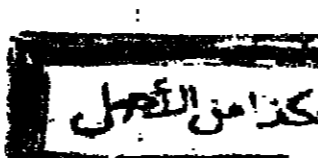
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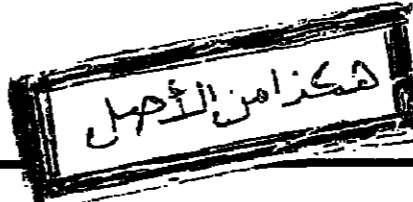
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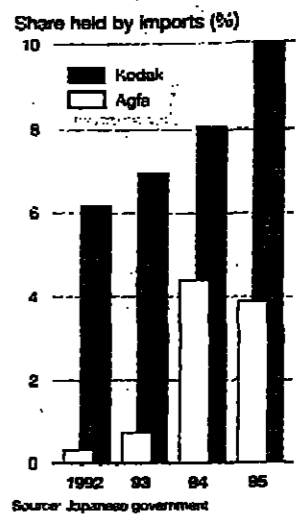
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Japan's film market



could blow a gaping hole in the WTO's non-discrimination rules.

# Proton looks to build 1m cars a year

Months ago became the subject of a management buy-out led by entrepreneur Dato Seri Yahya Ahmad, now Proton's president. He acquired a controlling interest in both HICOM, the Heavy Industries Corporation of Malaysia, and its Proton subsidiary from the Malaysian government.

Following the buy-out, "Proton is entering a new era," Tengku Mahaleel Arif, Proton's new managing director, said yesterday.

As part of the expansion strategy, Proton is starting to negotiate with a number of potential partners among both European and North American vehicle makers on joint ventures which will allow Proton substantially to widen its vehicle range to meet its ambitious production targets.

Tengku Arif said projects involving multi-purpose vehicles (MPVs), four-wheel-drive leisure/utility vehicles and other 'niche' products were on Proton's agenda. "It does not make good sense to compete directly against ordinary cars from the really big manufacturers," he added.

Proton has been quite strongly dependent for technology on Mitsubishi of Japan, which still has a 16 per cent stake in Proton. Motor Show reports, Page 8

# Disputes will test WTO rulebook

The World Trade Organisation will today set in motion dispute procedures for two highly-charged rows that could have far-reaching implications for the rules of the multilateral trading system.

The WTO's dispute settlement body is due to establish a panel to investigate US claims that Japan is blocking access to its market for photographic film and paper. The European Union will also make a first request for a panel to rule on the US Helms-Burton law that penalises foreign companies doing business with Cuba.

The US is mounting a three-pronged WTO attack against Japan, following a complaint last year by Eastman Kodak that the Tokyo government conspired with Fuji Film to restrict Kodak's market share in Japan.

In two dispute settlement cases brought to the WTO in June, the US claims Japan's rules and regulations in the distribution sector breach fair trade rules on goods and services. The services complaint, broadened and refiled by Washington last month, remains subject to bilateral consultations before a panel can be requested.

The US has also asked for consultations with Japan on restrictive business practices

in the Japanese photofilm market under an obscure 1960 decision by the WTO's predecessor, Gatt. Japan, which points out that Kodak and Fuji each has 70 per cent of home sales, has made acceptance conditional on similar consultations on anti-competitive practices in the US market.

The panel set up today will be looking at a number of Japanese government measures said to violate the WTO's agreement on trade in goods. Ms Charlene Barshefsky, acting US trade representative, said yesterday that the measures were "a textbook case of a WTO member circumventing its market access obligations".

They include alleged moves to bar Kodak from the primary photofilm distribution system, restrictions on marketing incentives, and the Large Scale Retail Store Law governing establishment of supermarkets and department stores more likely to stock foreign goods.

The Japanese government and Fuji deny all the US charges, saying Kodak's problems in the Japanese market stem from well-documented mistakes in marketing, price strategy and lack of innovation by the US company in the 1980s.

In the transatlantic row over the Helms-Burton legislation on Cuba the US is expected to refuse the EU's

request for a panel but must agree the second time the request is made, probably next month. Washington, which tried hard to dissuade the EU from going ahead with a WTO panel, has indicated it may invoke the never-tested national security exemption in its defence.

If the panel decides to define the scope of the broadly-drafted exemption to judge the case, it will have the politically explosive task of adjudicating US national security interests. But if the panel rules that the exemption allows the US to take whatever action it deems necessary to protect its security interests, it risks setting a damaging precedent that

# EU to take action on Japanese port practices

The European Union claims that Japanese harbour practices discriminate against foreign shipping companies and will take its complaint to the World Trade Organisation.

The EU said that the tight control of stevedore services at Japanese ports added to costs and worked against foreign shipping companies.

The Japanese Harbour Transportation Authority, an industry association "under the auspices of the Ministry of Transport", controls all loading and unloading in Japanese harbours, the EU said. This gave the JHTA a *de facto* monopoly over stevedore services and pushed

handing charges in Japan to well above international levels.

"The time has come to take this issue to the WTO," the European Commission said. The fact that the JHTA operated under ministerial licence gave the government influence over the issue.

The Japanese government counters that it does not regulate the stevedore business. "This involves

privately run business, so we believe it should be resolved at the private level," said an official at the Ministry of Transport. Shipowners, the Japanese Harbour Transportation Authority, which represents private companies in the industry, and unions of the stevedores had been discussing the problem.

However, Japan's harbour practices have been an issue of some concern to the US maritime authorities as well. The Federal Maritime Commission has asked shipping companies to provide information on business practices at Japanese ports.

The MoT official said the practices were applied to Japanese and foreign shipping companies alike.

# Renault, Matra in lightweight tram project

Renault and Matra have signed a letter of intent to co-operate and are now building a prototype which is expected to be launched in the first half of next year.

The attraction of the system is that it is two to three times cheaper than conventional trams and routes can be established with the minimum of disruption to existing traffic.

Individual vehicles would hold between 100 and 150 passengers, giving maximum capacity of 3,000 people an hour in each direction. The vehicles will be designed with low floors level with slightly raised platforms at stops. They are intended to run on tracks separated from other traffic but could run in mixed traffic on sections of their routes.

This project will allow Renault to expand its existing product range consisting of trucks, cars and buses. Matra now supplies the Val, a lightweight automatic underground system in use in French cities such as Lille.

## BLUE CHIPS OF TODAY AND TOMORROW

# Riso Kagaku - Fifty Years Young

Riso Kagaku Corporation celebrated its 50th anniversary on September 2, 1996. The Company is a global leader in perforated printing technologies, transforming the once-lowly and messy mimeograph into the user-friendly, computer-connective Risograph range of duplicators, which offer printing economy and speed unmatched by regular photocopiers.



Noboru Hayama, President and CEO

**A Truly Global Player**  
"We've come a long, long way since we started out. But the great thing about this business is that we've still got far to go before we realise our true potential. And I'm loving every moment of the journey." So says Noboru Hayama, the founder and current president of Riso Kagaku Corporation headquartered in Japan.

Hayama exudes confidence in the future of an organisation that he forged from pure guts 50 years ago. As well he should. His creation is the world's largest manufacturer of digital duplicators; main users are businesses and government and educational institutions. These machines have tremendous speed and cost advantages over regular copiers. The Company markets in almost 150 countries.

like China don't yet need all the sophisticated features of our high-end machines. They are more focused right now on speed and cost-performance," Hayama says. "The bells and whistles will come later as economies move up the scale. That's the experience of almost any industry," he adds.

The numbers support his contention. Since it began offering highly affordable duplicators in China, Southeast Asia, Africa, and Latin America, Riso Kagaku has boosted sales in those markets several-fold. Masao Nishimura, a Riso managing director, points out that the growth in China has been especially strong. "Monthly unit volume last fiscal year soared five or six times over a year earlier. And our increase for the whole of Asia outside Japan was more than 40%."

Company will do similarly well in the current fiscal year.

**Strengthening the Supplies Setup**  
While Riso Kagaku enjoys good profits on its Risograph duplicators, supplies are ultimately the key to earnings. The cost per copy is very low, but the machines themselves are typically used for high-volume runs, unlike regular copiers. Furthermore, the cost of supplies used and the volumes consumed are the same for all Risograph machines, whether high-end, midrange, or low-end. A top management priority for the Company is therefore to maintain stable supplies of inks and masters as its market presence grows. Minimising equipment downtime keeps customers happy and

trouble-free access to supplies, so we will consider setting up production facilities offshore as markets expand."

The Company also manufactures Print Gocco compact personnel stencil printers, with which home users can create their own greeting cards. Riso Kagaku pioneered this market, which is concentrated in Japan, and has long remained the dominant player. According to Nishimura, the Company is keen to build a global market

by maintaining its high investments in research and development, while continuing to expand the markets for its products. In Risograph duplicators, for example, the Company is currently working on even more affordable models to broaden its appeal in emerging markets, and is also developing more high-end machines to match the increasing sophistication of user demand.

Another emphasis is to develop new uses for its machines. To illustrate this, Nishimura says that just after last year's Great Hanshin Earthquake hit, Riso Kagaku had vans with duplicators installed in them printing out newspaper pages and other information transmitted by satellite. It gave people information almost instantly that they would not otherwise have had access to, perhaps for days. Nishimura says that this information approach could eventually revolutionise the way we read our news. "Of course, you can get news from an online service if you have the equipment and inclination. But the fact is that people prefer to see the daily paper in a convenient and familiar format. That's just one of many things we're doing to seek new applications and potential for our products."

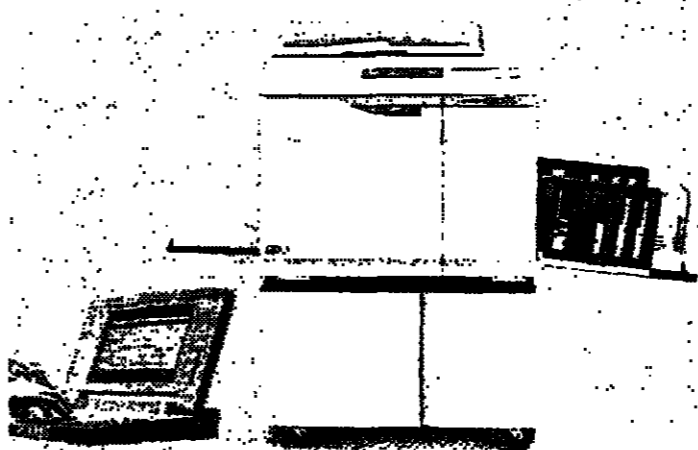
And now that Riso Kagaku has reached its 50th birthday, where does Hayama see the Company going from here? "A fundamental goal is to ensure that we keep growing steadily," he says. "That doesn't mean we're complacent. Far from it. But we want to expand in a way that is sustainable, both to assure our shareholders of consistently good returns - achieving sales and earnings growth in the 8% to 10% range. And I want us to remain able to provide our customers with products, supplies, and services that they can always rely on. I don't want the Company to become a high flier, because such businesses often go way beyond their competence." So, how big does Hayama think Riso Kagaku will become? His response to this is simple - "only the customer can determine that."

**Stretching for Success**  
In recent years, Riso Kagaku has developed new priorities to maintain its global market lead by endeavoring to extend its duplicator product line. Notes Hayama, "we've traditionally focused on midrange and high-end models. I'm sure we could do just fine if we limited our perspective to advanced countries. But you can't even hope to penetrate emerging markets unless you've got products that are very inexpensive. And those emerging markets are truly the key to global economic growth. Now is the time to cultivate a presence in those markets."

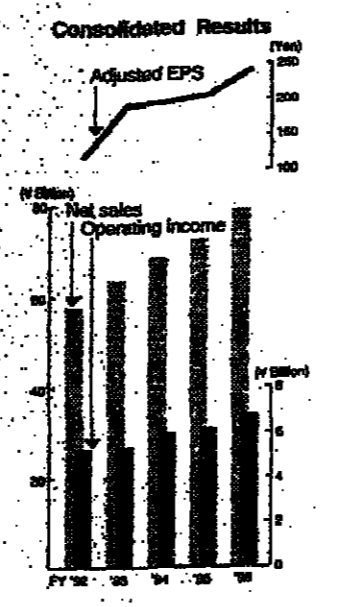
Riso Kagaku seems to be doing a good job on that score. In 1995, it commercialised a range of low-end duplicators with simpler functions than high-end models and at half the price. "The needs are simple at this stage. Users in places

**Excellent Results**  
The emerging market connection contributed significantly to Riso Kagaku's record consolidated performance in fiscal 1996, ended March 31, 1996. Net sales climbed 8.9%, to ¥79.2 billion, while net income jumped 16.4%, to ¥3.6 billion. Risograph duplicators contributed significantly to the gains. Sales of these products were up 6.0% in Japan and 15.5% overseas. On a unit basis, Risograph sales were up 12.7% overall, including domestic and international rises of 7.5% and 16.6%, respectively. The Company's sales of Print Gocco home printers were steady, although it looks forward to very strong results with its new digital line, which it will start promoting full-scale in the second half of fiscal 1997.

"It was a pleasing result," says Hayama, "because everything went exactly as planned. We had a tremendous product range. We continued to boost sales of supplies - they're high-margin items for us that sell just as well for machines across the price range. And we also benefited from further cost-cutting where it counted." The indications so far are that the



Risograph digital duplicators boast an array of advantages for offices seeking to enhance efficiency, including: 120 copies per minute, Low operating cost, 400 dots-per-inch resolution, Personal computer connectivity, The operating simplicity of photo copiers.



maximises opportunities to sell supplies.

The quality of the supplies themselves is another constant concern for Riso Kagaku management. Says Hayama, "the Risograph is the top digital duplicator brand, and we're the only manufacturer in this business to make inks and masters as well. A top priority is to ensure that all our users enjoy

for these printers. While the Japanese mainly use these products to create New Year's cards, he notes that people in many countries send greeting cards for all types of occasions. He sees tremendous sales potential worldwide.

**Preparing for the Future**  
Riso Kagaku is doing much to ensure the future of its business

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**Preparing for the Future**  
Riso Kagaku is doing much to ensure the future of its business

## RISO RISO KAGAKU CORPORATION

Head Office: Tamachi Center Bldg., 34-7, Shiba 5-chome, Minato-ku, Tokyo 105, Japan  
Tel: 81-(3) 5441-6663 Fax: 81-(3) 5441-6626  
Overseas Network: U.K., Germany, France, Spain, U.S.A., Canada, Hong Kong, P.R.C., Thailand, South Africa

# EU aluminium tariff should go, says Gulf

Gulf aluminium producers have joined their UK counterparts in calling for an end to the European Union's 6 per cent tariff on primary aluminium imports from Russia and the Middle East.

The Gulf industry, which is hunting at retaliatory measures, said the EU tariffs amounted to unfair trade practice. They also claimed the pure ingot produced by Gulf smelters was not comparable to offgrade material supplied by Russian smelters at discount prices.

The Gulf smelters, Aluminium Bahrain (Alba) and Dubai Aluminium (Dubal), together account for some 700,000 tonnes a year of primary ingot.

Expansion schemes due for completion next year will bring combined annual capacity to more than 870,000 tonnes.

According to Mr Ian Rugeroni, Dubai's chief executive officer, anomalies in the EU's tariff structure enable Russian metal to be processed through Norwegian and eastern European smelters and to enter the EU duty-free.

Even where duty is paid on imports of Russian alu-

Commodities, Page 26



NEWS: UK

# Anderson Ross shown to have had links with Danish company facing regulatory scrutiny

## High-risk currency trading scheme closes

By Clay Harris in London

Anderson Ross, a company offering high-risk currency trading schemes to private investors, yesterday withdrew its application to the Securities and Futures Authority for permanent authorisation.

The decision means the company can no longer offer such investments, with immediate effect, although open positions on existing accounts can be closed out in an orderly fashion.

Directors last night refused to

answer questions about the reasons for its decision.

Anderson Ross had historic links to several individuals involved with Scandex Capital Management, the Danish company against which the Securities and Investments Board is seeking an injunction to stop it from offering similar foreign exchange investments in the UK. The Danish financial regulator has also moved to close Scandex.

The original owner of Anderson Ross, incorporated in 1995 as Euro Capital Traders, was Mr Tom

Sherston, manager of Scander's day-to-day trading operation in Copenhagen.

Mr Jeremy Bartholomew-White, Scander's managing director and also the recipient of a SIB writ, was a director of Anderson Ross until last month, when according to both him and the company, Anderson Ross asked him to resign.

Mr Adrian Jewkes, who acted as a "consultant" to Scander and visited its offices in Copenhagen several days a week, resigned as a

director of Anderson Ross in June.

Anderson Ross operated from the same premises in Victoria Street, London, and used telephone numbers formerly used by Euro Currency Corporation, a foreign exchange company run by Mr Bartholomew-White. Euro Currency ceased trading in April. One of Anderson Ross's directors, Mr Ian Leith, is also a director of Euro Currency.

The SFA is believed, however, to have judged the company as much

on present circumstances as on its previous links.

Managers were reported to be in a "big meeting" at Williams Corporate Finance, part of the same group that now owns Anderson Ross, according to Mr Gary Holland, managing director. Mr Peter Williams, another director, was contacted but refused to speak.

Anderson Ross had been operating under interim permission. Its customers were not covered by the Investor Protection Scheme.

## Code on executive pay 'often ignored'

By Tim Burt in London

UK companies have paid out more than £65m (\$101.40m) in compensation to directors who have resigned or accepted less favourable terms in the past three years, says Pirc, the independent corporate governance consultancy.

In a survey of almost 300 quoted companies, the consultants claim that many groups have ignored the recommendations of last year's Greenbury report on executive pay by increasing compensation payments to ousted board members. The committee was chaired by Sir Richard Greenbury, chairman of the Marks and Spencer store chain.

Pirc, which represents pension funds and fund managers controlling £120bn, suggests that total compensation payments have increased from £20.3m in 1994 to £22.7m last year. So far this year, such payments have reached £25.9m.

Publication of the report is expected to coincide with a London court judgment today on a claim of almost £6m by Mr John Clark, the former chief executive of BET, the business services group.

Mr Clark, who was sacked after BET was acquired by UK rival Rankin Initial earlier this year, is seeking damages for lost benefits such as bonus payments, share options and pension entitlements.

Pirc predicted today's judgment would address whether compensation should relate solely to loss of salary or whether share schemes and bonus arrangements should be included.

Pirc suggests that few companies have complied with Greenbury recommendations on compensation, while only 10 per cent had cut service contracts to one year.

"We're pointing out that any recommendations that involve taking money out of executives' wallets have been ignored," said Ms Anne Simpson, joint managing director of Pirc.

The report, however, was criticised as selective and premature by Sir Richard Greenbury. "Many companies are changing their remuneration policies and, while one-year contracts are desirable, there are many cases where two-year contracts would still be appropriate," he said.



Drawing board: Car magazine's view of what the new "baby" Land Rover might look like

## Land Rover hopes new 'baby' will lift sales 50%

By Haig Simonian in Birmingham

The new model announced yesterday by Land Rover represents the most important venture by the company since the brand was significantly expanded with the Discovery in 1989.

The new "baby" Land Rover, code-named CB40, should boost output by about 50 per cent to 200,000 vehicles a year following its launch in early 1998. Expected to be called the Highlander, it will provide an entry-level product to compete against the likes of Toyota's RAV4 and the Honda CRV in the growing market for predominantly urban sports utility vehicles.

Demand for four-wheel-drive vehicles has been rising fast as motorists have

moved away from traditional family saloons in favour of "recreational vehicles". However, the biggest increase has been in the segment for relatively inexpensive models, where sheer off-road performance takes second place to image.

Although Land Rover has been reluctant to forecast the likely sales of its new vehicle, analysts believe output will be on a par with the Discovery, currently the company's best seller, at about 70,000 units a year. The arrival of the Discovery was the single biggest factor in broadening Land Rover's range from a niche producer into one of the world's leading makers of four-wheel drive vehicles. Until then, output had been limited to the venerable Defender, still a predominantly utilitarian

product in spite of improvements, and the respected, but expensive, Range Rover.

While sales of both models have climbed, it is the Discovery which has underpinned the recent surge in Land Rover's registrations. Sales have risen from 68,000 in 1993 to 127,000 last year.

The company's sales this year are running about 12 per cent ahead of 1995, and Land Rover expects to have more than 125,000 registrations by year-end. The new model should expand that still further. Priced from an estimated £15,000 (£20,500) it will be about \$5,000 cheaper than the least expensive Discovery. However, unlike Land Rover's three other models, which are built on a separate steel chassis, the newcomer is expected to be made in one piece.

## GM to boost capacity

By John Griffiths in Birmingham

Vauxhall, the British offshoot of General Motors, is to invest £300m (\$470m) in a modernisation programme at its Ellesmere Port car factory in north-west England.

The investment will raise capacity at the plant to about 300,000 vehicles a year on three shifts. The plant now makes 135,000 cars and vans a year on a two-shift basis.

Mr Nick Reilly, Vauxhall's recently appointed chairman and managing director, also indicated that a third model, the replacement for the current Corsa small car due just before the end of the decade, might also be built in the UK. A decision whether to create an additional production facility for the Corsa is due to be made within the

next two years. Vauxhall would be well placed to provide it, said Mr Reilly. The Corsa is a "world car" being built at the rate of 800,000 a year in Spain, Germany and Mexico.

The investment at Ellesmere Port is mainly to prepare for the introduction of a new generation of the Vauxhall/Opel Astra car and van range from 1998.

However Vauxhall is also planning to create a "supply

will contest the world sports car championship next year. Road versions are set to follow.

The company began producing its own V8 engine in 1994 and it is now installed as standard in its top model, the Cerbera, as well as in the company's Tuscan racing cars.

ers village" on 25 currently unused hectares adjoining the production facilities. This is expected to involve a further investment of around £30m and could have a substantially greater employment impact.

Vauxhall wants component makers for the next generation of Astras to produce parts within the "village" for supply on a "just in time" basis, virtually eliminating inventory.

## Barings bonus claim clarified

By John Gapper, Banking Editor

Ms Mary Walz, the former Barings senior manager dismissed over her role in the investment bank's collapse, yesterday admitted that she would not have expected to be offered a disputed £500,000 bonus if the bank had collapsed earlier.

Ms Walz, who is claiming a bonus for 1994 that was promised to her hours before the discovery of Mr Nick Leeson's hidden £830m

losses, accepted that the offer would probably not have been made if the discovery had come sooner.

Asked by Mr Ian Pritchard-Witts, chairman of an industrial tribunal in London that is considering her claims, what bonus she would have anticipated under different circumstances, she replied: "I would have felt there would be no bonus".

Ms Walz, the US-born former head of equity derivatives trading at Barings, is

claiming a £500,000 bonus promised to her by Mr Andrew Tuckey, the former deputy chairman of the group, in February 1995.

The same night, the bank's senior managers including Mr Tuckey found out that Mr Leeson had concealed huge losses built up over two years in a hidden broking account. These losses, later found to total £530m, brought down the bank.

Mr Jim Peers, company secretary of ING Barings, said that all bonuses were

offered provisionally to ensure that every employee gained relief from National Insurance. After Barings' collapse, Ms Walz's bonus was not paid and she was later dismissed for her role in the collapse.

Ms Walz told the tribunal she did not accept that she was in charge of Mr Leeson. However, she admitted in examination that she dealt with him as a part of her job managing derivatives trading. The hearing continues today.

## Deal agreed for N Ireland talks

By John Murray Brown in Dublin

Talks on the constitutional future of Northern Ireland inched forward yesterday after a deal between the main pro-British and nationalist parties allowed debate to move for the first time on to the vexed issue of terrorist weapons.

It followed weeks of deliberations between the Ulster Unionist party and the moderate nationalist Social Democratic and Labour party.

As the result of the deal, the nine parties in the talks yesterday tabled position papers on the comprehensive negotiations that will cover three relationships - within Northern Ireland, between Northern Ireland and the Republic of Ireland and between the republic and the UK. Sinn Féin, the political wing of the Irish Republican Army, remains barred from the talks.

The talks then moved on to discuss what is now the second item on the agenda - proposals on "decommissioning" of terrorist weapons as contained in the report from the team chaired by Mr George Mitchell, the former US Senate majority leader.

The breakthrough, albeit modest, represents a compromise by the Ulster Unionist party over its demand that "decommissioning" be dealt with as the first item, which nationalists feared would block progress. The accord also explicitly envisages that "decommissioning" should take place

"alongside" negotiations on the three strands - a key proposal in the Mitchell report.

The deal thus envisages that the fringe pro-British parties can participate in the talks without any prior gesture from the paramilitary groups with which they are closely linked.

Those groups, linked through the Combined Loyalist Military Command, are maintaining the ceasefire declared in 1994 shortly after the IRA announced its "cessation of military action".

### UK NEWS DIGEST

## Spain offered Gibraltar talks

Britain and Spain will today attempt to revive their stalled dialogue over crime and smuggling in Gibraltar. UK officials said Mr Malcolm Rifkind, the foreign secretary, would urge Mr Abel Matutes, his Spanish counterpart, to acknowledge the more conciliatory stance adopted by the UK colony's new administration.

The latest attempt to restart UK-Spanish talks on unlawful activities in and around Gibraltar collapsed last month after the negotiators failed to agree on the terms under which Gibraltar's government could participate.

However, UK officials will argue that the flexibility shown by Mr Peter Caruana, the colony's new chief minister, is a "new opportunity for progress" which the Spanish government should use. The officials noted that the delays faced by vehicles entering the colony - seen by Gibraltarians as a form of harassment by Spain - had eased recently but there was room for further reduction.

The colony's status has recently become an issue within Nato, where military planners are trying to work out terms on which Spain can integrate its armed forces into the alliance military structure.

Spain wants to be given responsibility for a newly created military command which would be responsible for the Iberian Peninsula as well as the Gibraltar Straits.

Bruce Clark

### ADVERTISING WATCHDOG

## Philip Morris claims rejected

Philip Morris's advertisements claiming that passive smoking posed no more of a health hazard than eating biscuits or drinking water have been ruled invalid in Britain by the Advertising Standards Authority.

The US tobacco group Philip Morris ran the campaign across Europe in June in its latest effort to preserve the right of smokers to smoke. The campaign ran into complaints in several countries from government officials and industry bodies such as biscuit makers. The ASA asked Philip Morris, maker of Marlboro cigarettes, to withdraw the newspaper advertisements but the company said the campaign had already run its course. It said it would appeal against the ruling.

The ASA ruled that it was valid for Philip Morris to compare the health risks of passive smoking - the breathing in of smoke from another person's cigarette - with health risks posed by other involuntary activities. But it said the data Philip Morris had used invalidated the approach. Studies of health risks attached to activities such as eating biscuits and drinking water had various deficiencies. They were, for example, based on only one study, were subject to error, or referred to products which were not on sale in the UK.

Roderick Oram

### BEEF CRISIS

## Consumption 'set for permanent fall'

The "mad cow" crisis will lead to a permanent fall in beef consumption, Mr Douglas Hogg, the agriculture minister, warned yesterday. Addressing the annual luncheon of the British Meat Manufacturers' Association, Mr Hogg attacked coverage of the crisis by tabloid newspapers. He was applauded by the meat manufacturers, who had earlier criticised the government for "woefully inadequate" funding for the meat products sector.

The crisis was forcing the British meat industry to pursue quality schemes earlier than other countries, he said. "I think out of the tragedy will come an industry more attuned to the requirements of the consumer... than probably anywhere else in Europe or the world."

Alison Maitland

### WELFARE REFORM

## \$4.7bn extra spending proposed

Sweeping welfare reforms were proposed yesterday by Mr Frank Field, an opposition Labour MP and chairman of the House of Commons social security committee. The package would cost about £3bn (\$4.7bn) a year in extra spending, said Mr Field, but would involve big transfers between income tax and National Insurance Contributions (NICs) to allow many of the lowest paid and long-term carers to own their own pension and other funds. These could, for example, be invested in the private sector.

Mr Field's radical thinking, which he described yesterday as a "total reconstruction of welfare", has been quietly encouraged by Mr Tony Blair, the Labour party leader.

Nicholas Timmins

Editorial Comment, Page 18

### LEGAL NOTICE

In The High Court of Justice  
Chancery Division  
Companies Court  
Mr Stephen Buckley  
ELF AQUILAINE GAS UK LIMITED  
(FORMERLY KNOWN AS ELF  
FINANCE PLC)  
AND IN THE MATTER OF THE  
COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that the  
Order of the High Court of Justice  
(Chancery Division) dated 2nd October  
1996 concerning the cancellation of the  
Share Premium Account of the Company,  
named Company from £100,000,000 to  
£10,000,000 and the Minute approved by  
the Court showing with respect to the  
several particulars required by the above  
mentioned Act were registered by the  
Registrar of Companies on 9th October  
1996.  
DATED this 14th October 1996.  
Noburo Nishimura  
30 Broad Street  
London W1X 6BN  
Ref: FAS200676/14  
Solicitors for the above-named Company

NOTICE OF MEETING OF  
CREDITORS  
COLLOREVISION PLC  
(An Administrative Receivership)  
NOTICE IS HEREBY GIVEN, pursuant to  
Section 48 of the Insolvency Act 1986, that  
a Meeting of the Creditors of the above-  
named company will be held at The  
Briarcliffe Centre, 10th Floor, 100, Pall Mall,  
London, SW1Y 6AN, on Thursday the 21st  
October 1996 at 11.00 am for the purpose  
of having an account laid before them,  
showing the assets and liabilities of the  
company as at the date of the meeting, and  
for the purpose of ascertaining the names  
of the persons who claim to be creditors of  
the company, and of having any claims  
proved and of having any claims admitted  
for payment in full or in part by the  
Administrative Receiver, any party  
desiring to attend the meeting should  
contact the Administrative Receiver at  
31 1BD, Victoria Square, Birmingham  
B1 1BD.  
Creditors whose claims are wholly unsecured  
are not entitled to attend or be represented at  
the meeting.  
A person is entitled to vote at the meeting if  
he has given to the Joint Administrators  
Receivers, not later than 12.00 hours on the  
business day before the day fixed for the  
meeting, details in writing of the facts that  
entitle him to vote. The Administrative Receiver,  
any party which the creditor intends to be used on his  
behalf.  
C.L.K. Douglas  
Joint Administrative Receiver  
Dated: 9th October 1996.

UNITED CUTLERS LIMITED  
REGISTERED NUMBER: 1739843  
Notice of Meeting: Meet Shareholders  
Solely for Purposes of  
Dividend Payment, 06  
Date of appointment of Joint Administrative Receiver:  
7 October 1996  
Name of appointee: The Co-operative Bank plc  
BANK OF ENGLAND and MICHAELE MORROWSON  
Joint Administrative Receiver  
Solicitors: Messrs 26/27 and 27/28 of  
Copestake & Lybourn, 1 East Parade, Sheffield S1 2BT

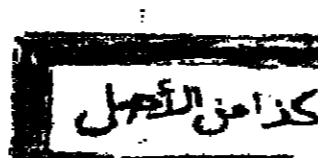
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AND WE'VE GONE TO EVEN GREATER LENGTHS WITH THE REST OF THE SEAT, EXTENDING THE LEG-REST AND MAKING THE LUMBAR SUPPORT AND RECLINE EASIER TO ADJUST.

SO NEXT TIME YOU FLY TO JAPAN, CALL JAL FOR A SEAT THAT'S PERFECT DOWN TO THE LAST DETAIL.

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# Searching the globe to bridge the Thames in style

**Colin Amery looks at a millennium project that will link both sides of the river and could become a very substantial attraction for the capital city**

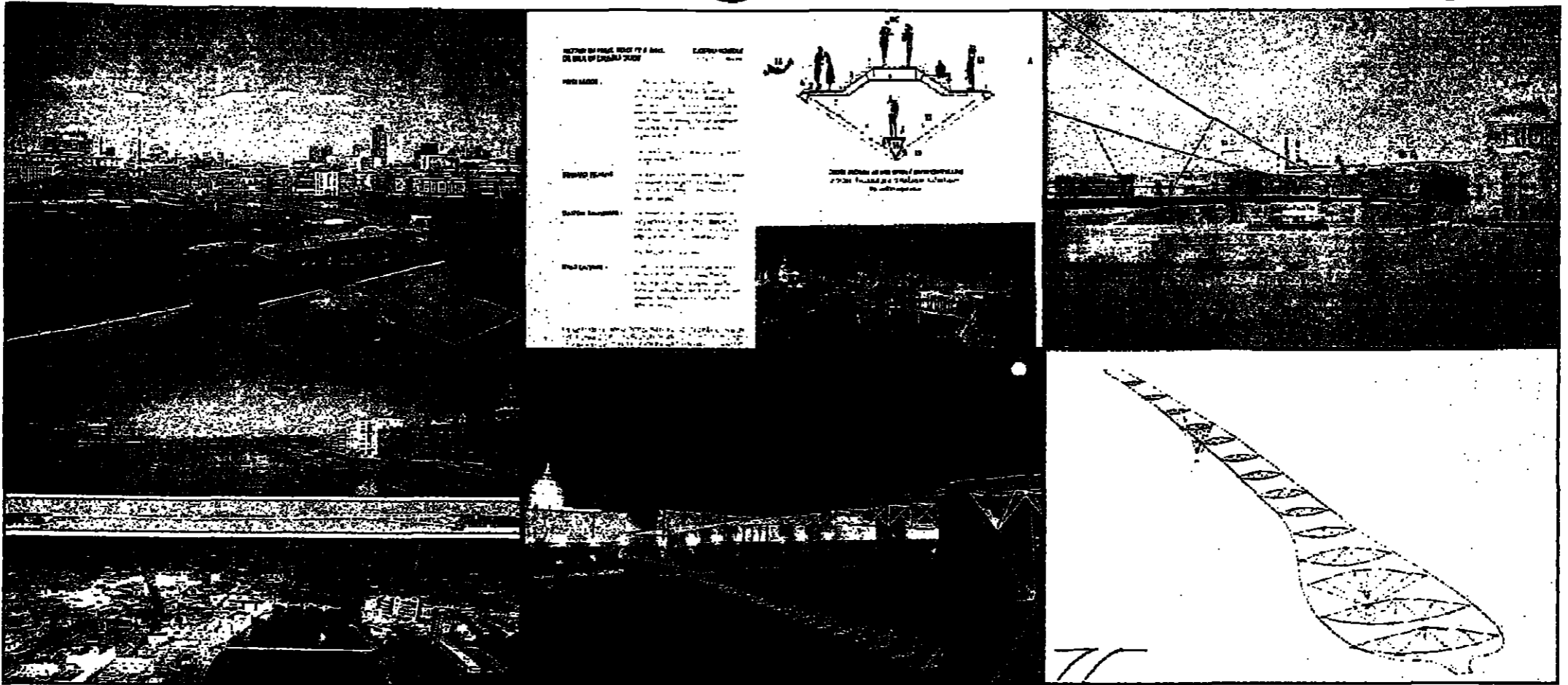
This is the one. If you are interested in a realistic millennium project, look no further than the plan for a new pedestrian bridge across the Thames. It is the most credible and realistic of all the schemes. Yesterday, in St Paul's Cathedral, those who have made the shortlist in the international competition to design the bridge were announced.

The Financial Times is sponsoring the competition and has worked for nearly two years preparing it in consultation with the Corporation of London and Southwark council. The FT, especially through its architecture and design management awards, has always believed in supporting good design. The fact that the newspaper's own offices are by the Thames in Southwark, coupled with the imminent arrival of the Tate Gallery of Modern Art in the former Bankside power station and the presence of the exciting new Shakespearean Globe Theatre, encouraged the FT to help promote the idea of a new link between the City of London and Southwark.

Any visitor to the south side of the Thames can only be impressed by the scale and quality of the enhancement and development of the riverside in Southwark. There is a distinct buzz about life on the south side. The atmosphere is not unlike some recently revived areas of downtown Manhattan. Residential, commercial and cultural life has taken an upswing. The catalyst for this is undoubtedly the river itself. The best views in London are from the south side. Sir Christopher Wren lived on that side so that he could watch the steady growth of his great cathedral.

But why a new pedestrian bridge? Firstly, there are no bridges solely for pedestrians across the Thames in London. You either have to cross the river surrounded by cars or accompanied by the rattle of slow-moving, screeching trains. Secondly, the City of London is keen to extend its links with other London boroughs. The third reason must be the arrival of the Tate Gallery and its millennium sponsor to create what will be one of the most extraordinary art galleries in the world inside the incredible hulk of the former Bankside power station.

Tourism cannot be ignored, and the walk from St Paul's to the Tate on the new bridge will be a big attraction for



Views of a bridge: the six finalists in the international competition to find a design for a pedestrian link across the Thames show a diversity of both ideas and approach to the challenge posed by the project

**Shortlist**

- Cezary Bednarski with Studio E Architects and artist Peter Fink and engineers Dewhurst Macfarlane and Trafalgar House Technology, London
- Ushida Findlay Partnership, Tokyo, with Dewhurst Macfarlane and Partners, London
- Foster and Partners, London, with the sculptor Sir Anthony Caro, London
- Frank Gehry and Associates, Santa Monica California, and the sculptor Richard Serra, New York
- McDowell and Benedetti, London
- Georg Rotne and Niels Gimsing, Copenhagen

**Jury**

- David Bell (jury chairman), chairman Financial Times
- Ana Patricia Botin, president Banco Santander de Negocios
- Michael Cassidy, Corporation of London
- Anna Ford, broadcaster
- Jeremy Fraser, leader Southwark Borough Council
- Jaques Herzog, architect
- Frank Newby, consulting engineer
- Sir Michael Perry, chairman Unilever
- Sir Philip Powell, architect
- David Sainsbury, chairman J.Sainsbury
- Wilfried Wang, architect, director Deutsches Architekturmuseum, Frankfurt

**Advisory panel**

- Peter Rogers, director Stanhope
- Clyde Malby, chartered quantity surveyor and cost and procurement consultant
- Jorgen Nissen, Ove Arup and Partners
- Derek Taylor, Montagu Evans
- Two representatives of the Port of London Authority are on hand as additional advisers.

Who will foot the bill for the bridge is the question that will remain after the final choice of designer is made. An application has been made to the Millennium Commission, but matching funds will have to be found. Some funds are likely to be available from local authorities. Mr Cassidy pointed out that the City of London Bridge House Charity exists to fund the maintenance of the four bridges that cross the Thames and land in the City - Tower, London, Southwark and Blackfriars bridges. The fund is an ancient charity now valued at £200m. To use it to help build a new bridge would need an Act of Parliament. However, the rules that govern it were recently amended to allow the annual distribution of £10m per year to charitable causes in London.

But the development of the designs is the important phase at the moment. There will be public exhibition of a range of the entries as well as the winner. It is hoped this exhibition, to be sponsored by J. Sainsbury, will be shown in the City, Southwark and at the Tate Gallery.

Editorial Comment, Page 13

London. It will add enormously to the rejuvenation of the river - and will not be huge and unsightly, like so many of the proposals currently being floated for an inhabited bridge on the Thames.

The six shortlisted winners of the design competition were announced by Mr Michael Cassidy, the chairman of the policy and resources committee of the Corporation of London, and Mr Jeremy Fraser, leader of the London Borough of Southwark. There were 227

entries, a record for an international competition. The six shortlisted entrants will be asked to develop their proposals in further detail and the winner will be announced in December.

Under the rules for international competitions, although the names on the shortlist can be announced, their schemes remain technically anonymous. This strange ruling, in fact, encourages speculation and indeed the guessing game can be highly entertain-

ing. It is not difficult to spot the hand of Sir Anthony Caro - the distinguished sculptor of metal - working in collaboration with Sir Norman Foster. Cezary Bednarski won another bridge competition with a carbon-fibre bridge at Lechlade in 1993 and his interest in glass and the use of colour marks out his entry.

Richard Serra is a dominant figure in American sculpture and works on a monumental scale in steel. There is a

large work by him at Broadgate in the City of London. His collaboration with Frank Gehry appears to produce a huge plaza at the Bankside end of their joint proposal for a bridge. One entry - could it be Danish? - is a fragile and delicate structure that makes an almost invisible leap across the river.

The competition was open to artists as well as architects and engineers and at least two artists have made it on to the shortlist.

## LEBANON 1993-1995

### Major economic indicators

US\$ million	1993	1994	1995
<b>MACROECONOMIC INDICATORS</b>			
GDP (Banque Audi's estimates)	7,600	9,500	11,700
GDP per capita	2,000	2,450	3,000
GDP real growth rate	7.00%	8.50%	7.00%
Electricity production (millions of kWh)	4,164	4,584	5,004
Delivery of cement ('000 tonnes)	3,045	3,466	3,978
New factories	n.a.	408	431
Number of ships at the Port	3,328	3,359	3,443
Number of passengers at the Airport ('000)	1,294	1,438	1,612
<b>PUBLIC FINANCE</b>			
Total debt	2,918	4,829	7,115
of which: domestic debt	2,591	4,057	5,825
foreign debt	327	772	1,291
<b>MONEY AND CURRENCY</b>			
Money and quasi-money	9,163	11,931	14,338
Foreign assets	8,727	9,567	9,892
of which: foreign currencies	5,123	6,032	6,320
gold	3,604	3,535	3,572
Inflation rate	8.90%	12.10%	9.90%
Exchange rate (L.P./US\$)	1,711	1,680	1,596
<b>BANKING ACTIVITY</b>			
Total assets	18,993	14,745	18,205
Total equity	259	410	718
Average capital adequacy ratio	n.a.	13.08%	14.76%
Average liquidity ratio	71.89%	70.77%	66.89%
Return on average assets	1.07%	1.49%	1.63%
Return on average equity	55.36%	57.45%	41.29%
<b>FOREIGN TRADE</b>			
Imports	4,940	5,990	7,303
Exports	458	572	824
Trade balance	(4,482)	(5,418)	(6,479)
Gross capital inflows	5,652	6,548	6,735
Balance of payments	1,170	1,130	256

**Banque Audi**  
  
**THE ART OF BANKING**

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# TRANSNET

## INVEST IN CAPITAL MARKET BONDS

### INTRODUCING T011 - AN EXCITING NEW INSTRUMENT

Transnet Limited is one of the world's largest transport conglomerates; as such, it plays a vital role in the economy of South Africa. It is a thriving multi-modal transport company built on the principles of excellence. Transnet is worth R40 239 million (£ 6615 million) in total operating assets and has a workforce of 114 000 employees.

The capital intensive nature of the business Transnet operates, as well as sheer size of the operation, necessitates a sophisticated approach to the financing of the business. This function is executed by the centralised Treasury division with the mandate to raise the funds needed by all divisions and subsidiaries of Transnet.

Transnet's borrowing rationale is centred around upgrading and expansion of its infrastructure and asset base. It does this with regard to the returns which can be generated from its investments and with regard to the economic consequences for both Transnet and South Africa. As managers of the financial risks of Transnet, one of the functions of Treasury is to ensure that the maturity of fixed assets and liabilities of Transnet will closely coincide. As such, Treasury is tasked with maintaining a wide spectrum of funding instruments suitable to the needs of the operating divisions of Transnet and therefore the need for new bonds arise from time to time.

**Maturity Yield Curve of Transnet Bonds**  
Rand yield to maturity vs remaining life

Bond Code	Redemption Date	Coupon Rate	Issued R million
T007	01 Apr 1997	12.5%	2200
T016	15 Feb 1999	11.5%	2600
T001	01 Apr 2002	12.5%	1300
T004	01 Apr 2008	7.5%	4100

Regarding dealing in Transnet bonds, investors may obtain two way prices from the Transnet Treasury dealing room or from most South African banks or stock brokers. In essence, an investment in Transnet will render just, if not excellent, value to any investment portfolio.

Dealing room telephone nr. (2711) 488-7588/89

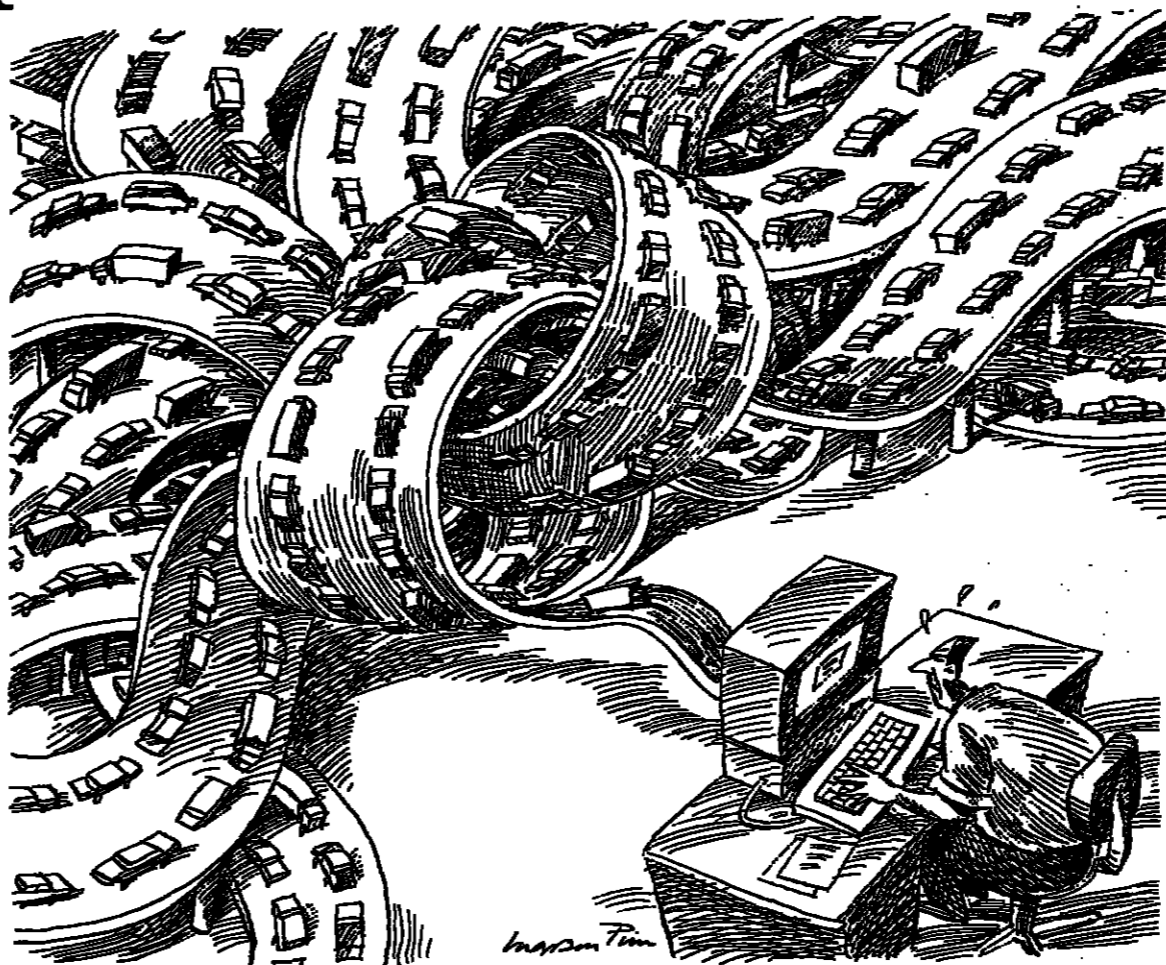


INFORMATION TECHNOLOGY

Using the Internet • Louise Kehoe

# Trapped in the Web traffic jam

Overcrowding is due to expansion of infrastructure failing to keep pace with user growth



delayed. The messages sent to update routers may get stuck in an information traffic jam, or a router may not be properly maintained.

Packets of information travelling the Internet hop from one router to the next. At each intersection they are given directions for the next segment of journey. If all the directions are correct, the information will reach its destination in the fastest possible time. Any mistakes may, however, send the packet by a slower "scenic route".

When it finally reaches the chosen destination, an information packet must find a computer that is up and running. If its journey is to have been worthwhile. Remarkably, most of the time it works. But the Internet was never designed to ensure that every message could reach any destination all the time. Rather, its roots lie in a US Defense Department project to create a data communications network that could survive a catastrophic event, such as a nuclear blast, at any one site.

Commercialisation of the Internet has created a new set of expectations, however, and efforts to improve stability and reliability are under way on several fronts.

Cisco Systems, the leading supplier of Internet routers, has developed new technology that combines the "switching" used in telephone networks with the Internet "routing" method. By "tagging" information packets with their destination addresses, the new approach promises to relieve router congestion and speed up data transfers.

In the meantime, route "aggregation" has become the by-word among ISPs. Akin to establishing a system of postal codes that apply to a large number of addresses, aggregation is expected to reduce the workload on Internet routers and improve performance.

Faster, higher bandwidth connections are also on the way. Communications companies are upgrading their networks to handle more Internet traffic.

Technologies such as Asynchronous Transfer Mode (ATM) could provide "scalable" network bandwidth to meet the needs of users at peak times. Cable TV companies are also adapting high speed networks to provide Internet services.

There is also talk among US universities and Internet equipment manufacturers of creating "Internet II", a sequel that would provide a testing ground for perhaps more reliable networking technologies.

Watching brief



Bidding made easier

Bidding and tendering is a time-consuming process, in which mistakes may lead to lost or unprofitable business. Biz Computer Applications, a Nottingham-based business has tried to streamline the entire bidding process by designing a fully-integrated, off-the-shelf bid management system.

Bid-ITT is an information management and document production system that provides access to information from the company's databases and applications such as Microsoft Office across a local or wide area network. The software helps manage every stage of the bid, ranging from analysing the likely risks and probability of success to meeting the original specification once the business has been won. The system, which costs £1,750 per user, is aimed at companies with turnover of £25m or over.

**Biz Computer Applications**, UK, tel (0)115 325 5990; fax (0)115 325 5993; e-mail [bidita@biz.co.uk](mailto:bidita@biz.co.uk)

place orders, check inventories and resolve customer problems.

Progress Software Corporation, headquartered in Massachusetts, believes that its WebSpeed products are the first commercially available transaction processing applications of their type. They comprise the WebSpeed Workshop, a set of development tools and the WebSpeed Transaction Server, a Web-based deployment engine. It is working in partnership with Security Dynamics Technologies of Bedford, Massachusetts, to develop new ways of protecting the security of WebSpeed transactions.

**Progress Software**, UK, tel (0)1256 816668; fax (0)1256 301881; e-mail [justin@basing.progress.com](mailto:justin@basing.progress.com)

Model view of portfolios

Quantitative fund managers have long used computer models to help them analyse stocks and optimise portfolios. DataLink International, a Guernsey-based financial systems supplier, has devised its own version of a portfolio management information system to help fund managers structure portfolios, manage risk and return, measure performance and monitor investment restrictions.

The system provides information from 47 markets and currencies. The Eagle portfolio management system costs about £100,000.

**DataLink International**, Guernsey, tel (0)1481 39300; fax (0)1481 39306; e-mail [Datalink@datlinkgrp.com](mailto:Datalink@datlinkgrp.com)

Down to the detailed data

One reason why relatively little business has been transacted over the Internet is that it is difficult to gain access to the detailed data needed for business transactions. That is changing with the development of transaction processing applications for the Internet and corporate intranets that will allow business partners and customers direct access to corporate databases to

The World Wide Web is turning into the World Wide Wait. As data traffic clogs the Internet's information highways, users are becoming increasingly frustrated by the often slow and unreliable performance of the global network.

With millions of computer users now relying on the Internet for electronic mail and as a primary source of news and research information, it is fast becoming an essential part of the communications infrastructure.

Yet the Internet has recently proven to be vulnerable to technical and mechanical failure. This month, for example, about 400 Silicon Valley companies were cut off from the Internet for 24 hours when Stanford University's power generating plant failed.

The power cut, which was blamed on rats gnawing into a switching system, knocked out an Internet hub operated by BBN, one of the largest suppliers of Internet access to US companies and educational institutions.

Other recent "brownouts" include a 19-hour shutdown of America Online in August; interruptions in June at Netcom Communications, one of the biggest US Internet access services; and temporary closure of a New York service that succumbed to a hacker.

Less spectacular are the everyday complications of Internet access. A favourite Web site may suddenly be out of reach. Electronic mail may go astray or be returned "undelivered". Images that should take just a few seconds to download go into slow motion.

For individual computer users - whether they are reaching the Internet from a home PC or an office network - such problems are a frequent irritation. For companies operating Internet-based businesses, they may lead to significant financial losses.

Businesses are looking for "industrial strength" Internet performance like that of the telephone network, but today the performance is only "student strength", says Don Miller of Dataquest, a market research group. "A student can always try again later... but

for businesses time is money." The root cause of most glitches on the Internet is overcrowding. Use of the Internet has doubled in each of the past two years but expansion of the infrastructure has not kept pace.

In part this is because Internet service providers (ISPs) that link companies and individuals to the global network face brutal price competition. Typically, they operate with a minimum of leased telephone lines to minimise costs.

"For the ISP, a very small amount of overcapacity in bandwidth can have a major impact on profits," says Robert Andrews, the "Webmaster" in charge of Netscape Communications' web site, which receives more than 70m visitors a day. "This has a major effect on throughput," slowing access at peak times, he explains.

Traffic jams at Internet sites that have underestimated their popularity can also clog the system. "There is a virtual riot," as Web

users bombard the site, says Andrews.

Another difficulty is that Internet technology has advanced so quickly that there are few true experts in the operation and maintenance of Internet services.

For the average user, figuring out the cause of a specific Internet fault is almost impossible. Bits of information travel across the Internet like cars on a busy highway.

When a user launches onto the

Internet, the first challenge is the highway "on-ramp": the ISP's Point of Presence, or PoP, which receives and processes the log-on activities of dial-up users. If a PoP is out of order or overloaded, users are forced to look for another access point and try again.

The next hurdle is the ISP's servers - the computers that process a user's requests for information, store electronic mail, provide access to newsgroups and other services. Some ISPs are better than others at maintaining their servers, as users quickly learn.

The information traffic must then be "routed" by the ISP to its chosen destination.

Routers are the traffic cops on the information highway. They contain huge lists of Internet addresses, with directions that information packets should take to reach them. But new Internet addresses are created every day, so routers must be updated several thousand times an hour.

Problems occur if this process is

Information Technology

• The FT's review of information technology appears on the first Wednesday of each month

ELECTRONIC COMMERCE Business to business systems

## Calling out around the world

A computer hardware distributor in Frankfurt wants to buy a batch of hard drives. Instead of ringing round to find the best deal, he logs on to an Internet-based system called Trade'ex which produces a list of unnamed suppliers worldwide, their best price and the quantity available.

Top of the list is a Californian vendor that has temporarily dropped its price for several drives. The distributor places a purchase order online, and the vendor is alerted by the Trade'ex system. The goods are dispatched and payment follows, normally by EDI (electronic data interchange) or direct debit.

The transaction is typical for Trade'ex, one of a number of new systems in the emerging market for business-to-business trading on the Net. Another is Pittsburgh-based Industry.Net, which maintains wholesale catalogues online.

Trade'ex, launched last year by Tampa-based Commerce Systems, aims to bring together buyers and sellers that would otherwise not know of each other in an online, real-time wholesale marketplace.

Trade'ex has already made its mark on electronic trading running a Computer Marketplace system used by around 1,500 dealers in 58 countries. The seller's identity is not known to the buyer, enabling Trade'ex to take its cut. In return it guarantees payment.

In Germany, the first company on the Computer Marketplace was CHS Germany, part of the CHS International computer distribution business, which this summer put around 400 products into the system. Use started slowly but is growing, says Christian Grosse, business development manager. Customers appreciate a new

facility that lets them compare prices across Europe alone, rather than worldwide where shipping costs could be higher.

Like CHS, Texas-based Memory Technologies, which sells computer and electronic components, considered it necessary to learn more about Trade'ex. It can be a two-edged sword, though, says Roy Stocker, vice-president: "If a customer knows about us, they can also look at other vendors and buy from the cheapest".

The potential of such systems goes far beyond the computer industry. Government purchasing organisations or trade associations could buy a licence to use and distribute the software, which would be customised to allow individual vendors to show their price lists and update them in real-time.

One of the earliest users has been the Australian Chamber of Manufacturers, which began a pilot project

in March. The system allows small and medium-sized manufacturers to compete equally with big business, and frees Australian companies from the "tyranny of distance," says John McCann, national business services manager. Trade'ex was launched in the UK this week. Exclusive UK marketing rights have gone to a subsidiary of TDS Marketing Group, whose managing director is former Amstrad executive Thomas Power.

"There are opportunities for many other markets apart from computer hardware," he says. "In office and hospital supplies, for example, high volumes are being bought from many suppliers."

Power is also exploring the system's potential for selling agricultural supplies to farmers, many of whom are already using e-mail and the Internet.

Andrew Baxter

IT in action

Paralysis of analysis

A surfeit of information is strangling business and causing employees mental anguish and physical illness, according to an international survey by Reuters Business Information. One in four of more than 1,300 managers it surveyed admitted to suffering ill health as a result of the amount of information they handle, although half agreed they needed high levels of information to perform effectively.

According to the survey, the information glut results in procrastination and time-wasting, delays to important decisions, distraction from main job responsibilities, tension, stress and loss of job satisfaction and, in many cases, illness and the breakdown of personal relationships.

"Having too much information can be as dangerous as having too little," says David Lewis, a psychologist who analysed the survey's

Europe's top 10 IT spenders

Company (\$m)	Spending (\$m)
Siemens	2,030
Philips	1,800
Royal Dutch Shell	1,600
Barclays	1,500
ING	1,300
Allianz Holdings	1,200
ABN Amro Bank	1,000
USBC Holdings	1,000
France Telecom	900
BT	800

findings. He adds: "Among other things, it can lead to a paralysis of analysis, making it far harder to find the right solutions or make the best decisions."

**Firefly Communications**, fax +44 171 385 4768 or e-mail [ajeremy@firefly.co.uk](mailto:ajeremy@firefly.co.uk), £40.

A web of connections

Development of intranets (internal websites) at US corporations is rising

sharply, according to the annual employee communications and technology survey by Stamford-based Cognitive Communications.

About 85 per cent of the 162 companies which responded are planning, piloting or installing an intranet, while 43 per cent have a working intranet.

**Victoria Mellor**, Melcrum Publishing, fax +44 181 960 6144, E195 Cognitise, fax +1 203 328 3081 or e-mail [info@cognit.com](mailto:info@cognit.com)

Europe's big spenders

Europe's top 100 spenders on IT are investing \$47bn (£20bn) this year, up 12 per cent on the \$40bn they spent in 1995. Germany and the UK dominate the top 100 with 26 and 25 entrants, respectively, followed by 21 in France, according to a survey for Information Strategy magazine.

The impetus for the increased investment was business restructuring and the pressure for high-quality customer services.

**Vanessa Land**, Devonshire Marketing, fax +44 1895 625240, e-mail [100741.1185@compuserve.com](mailto:100741.1185@compuserve.com)

Business & Environment

The weekly Business and the Environment Page will be relaunched in a new monthly format on Wednesday November 6.

ADVERTISING

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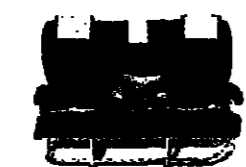


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Television/Christopher Dunkley

Style rather than substance

So this is television's famous autumn season? Where are the "Must-see in tonight" programmes? From the eternally multiplying but impoverished satellite and cable channels we expect little but noise and nonsense (Performance and one or two others excepted). But considering the hundreds of millions spent by the terrestrial networks it is surely fair to expect from them something that grabs the attention and the imagination. It only takes one real hit to make a season - a *Pride and Prejudice*, a *Life on Earth* - making you feel there really is some significance in the switch from summer to autumn schedules.

But for anyone who left the country early in September and did not return till early October, the most striking aspect is the sameness: same as last month, same as last year, and in many cases same as last decade. Tonight you can watch *Tomorrow's World*, *Star Trek: Voyager*, *Street*, and *The Love* on BBC1, BBC2, ITV and Channel 4. Three you could have seen in 1966, though you would have had to wait until 1970 for the first sight of Jack Rosenthal's *Love*. What has struck me most after a four week absence is the ominous growth of bauble televi-

sion: programmes which are all show and no substance, like Christmas decorations. Take *All Rise For Julian Clary*. This is a vehicle for Clary to parade that style of camp homosexuality to which television first introduced us in *The Naked Civil Servant*. There are muscled chaps in "Tom Of Finland" outfits - black leather hotpants, chains and peaked leather caps - to carry Clary around, and from the title to the end credits ("end!", gosh that's rude) every line is a Julian and Sandy double entendre. The pretence is that Clary is some sort of judge, deciding between a mother and daughter over room tidying, or between London citizens and a sculptor over some expensive bent metal. But the truth is that almost any formula would have done to get Clary - undoubtedly a talented and funny man - on screen for half an hour to display his particular sort of camp exhibitionism. This is simply a style programme.

pretends that anything other than style matters. A drama series described as an "urban fantasy" it borrows the rust-bucket futurism of *Blade Runner*, the outer-worlds exoticism of the bar in *Star Wars*, the children's cinema antics of *Indiana Jones*, the costumes from *Blake's Seven*, and the dialogue of a sword and sorcery movie ("Before King Lud founded the villages on the Thames marshes there was a labyrinth here") stirs them together and throws the resultant salmagundi at the screen. It looks like a dungeons-and-dragons computer game for tired teenagers.

and begin, assuming they want it, to lead lives like that of "celebrity chef" Gary Rhodes. On Friday he was a "guest panellist" on the nine o'clock comedy quiz show *Shooting Stars* and, at 9.30, "celebrity guest" on *All Rise For Julian Clary* which immediately followed. Glancing through newspapers and magazines to get back up to speed on returning to the UK, it is the hype and glitter surrounding this sort of bauble programme which seems to dominate everything. You begin to get the feeling that television programmes are becoming little more than an adjunct to the world of marketing - although it is worth remembering that *All Rise For Julian Clary*, *Neverwhere* and *Two Fat Ladies* are all BBC2 series.

Of course there is, at least in the UK, still an enormous amount of worthwhile television on offer. Last week's *Panorama* on BBC1 provided an engrossing report on James Goldsmith's Referendum Party. Next night in *Timewatch* BBC2 screened a hair-raising documentary by Paul Lashmar on the terrifying antics of the US Strategic Air Command during the cold war. Not long after it ended, ITV's *Network First* finally told what sounded like the true story of the sinking of the Hull trawler "Gaul" in 1974; another nasty little footnote to the cold war.

of India's "untouchables". In *Deadly Voyage* the same network dramatised the horrible yet undeniably gripping story of the murder of eight Ghanaian stowaways and the survival of just one to tell the tale and send the perpetrators to gaol. Channel 4, sticking to its last in the teeth of puritan obscurantism from the likes of the Daily Mail, told the remarkably moving *Mary, Millington Story*, Millington being Britain's only true queen of pornography in the 1970s. Next night Channel 4 told the fascinating story of the killer bees from South America in *Equinox*. Judging from what can be seen at international television markets, conferences and festivals, British viewers are probably still the best served in the world when you consider the full spectrum of television. The trouble is that the bauble programmes command disproportionate attention, and increasingly so. The world of hype - of unremarkable "celebrities", over promoted books, hysterical marketing - seems to expand exponentially. Yet the quiet, high quality programmes are still there, and in impressive quantities. As with print we must learn to live with what frequently proves to be an inverse ratio between razzmatazz and true quality.

Theatre

Going out of fashion

**N**ight Must Fall, Emlyn Williams' provincial, repertory staple, is back in the West End for the first time since its premiere 60 years ago. It typified the moribund form most post-1956 British theatre has widely rejected: the "well-made play", usually crudely constructed and predictably staid. In an oppressive bungalow's drawing-room at the heart of Epping Forest, a wheel-chair bound "old bag", Mrs Bramson, torments her blue-stockinged niece, Olivia, and her long-suffering servants. Into this closed world steps Dan, the local hotel's bell-boy, a womanising charmer who is at once the prime suspect for the murder of a floosie, whose headless corpse has been found at the bottom of Mrs Bramson's garden. This is not a whodunnit. Williams deliberately drops tenuous clues like changes: "it's a fine day - it'll cloud over I expect"; "she'll be found murdered one of these days", etc. We are meant to experience the play like Greek tragedy: the inevitable doom that as sure as day is day, night must fall. However the drama does not so much unfold as drag on. There is no compelling insight into the butchering evil or the pursuit of infamy of the psychopath. John Tydemann's production - set in what looks like a Bavarian hunting-lodge rather than a 1935 Essex bungalow - lacks suspense. He is not helped by the casting. Rosemary Leach is dull as the sour Mrs Bramson, and Jason Donovan, as Dan, may be trying to stress the alien peculiarities of his character, but he is too shabbily modern for this period piece (mismatched by producer Bill Kenwright). Donovan wears pert slacks, smokes a woodbine as if it were a joint and clownishly shambles, scuffing his feet. He has a thinning, fashionable mop of blond highlights and an accent which fails to land either side of the Irish Sea (Williams created the role for his Welsh-accented self). Olivia finds that Dan is a man who is never himself, who is always acting (the opposite of Donovan),



Rosemary Leach and Jason Donovan: miscast in Emlyn Williams' 'Night Must Fall'

and who lives a fantasy born of his maniacal imagination. Donovan mindlessly dons his imaginary cap and wiggles an ineffectual finger in a vain effort to find an idiosyncrasy character. When he is supposed to be sinister or deranged, Donovan just looks knock-kneed and emotionally constipated.

The play employs a different sort of clashing modernity to Donovan's in order to stress old Mrs Bramson's metaphorical isolation: there is a new "by-pass" around the local village, while the bungalow is not even wired-up for electricity nor on the telephone; and Mrs Bramson's favourite read is the out-moded,

melodramatic *East Lynne*. But Williams' *Night Must Fall* is to us what *East Lynne* was to him: old-fashioned piffle. Simon Reade At the Theatre Royal, Haymarket, (0171 880 8800).

Theatre

Lustful pursuits

**I**n a recent interview, George Cole remarked, "You can't go to a show called *Lock Up Your Daughters* and come away offended, can you?" Well, yes and no. Thirty-seven years on from its premiere, this musical adaptation of Henry Fielding's 1730 farce *Rape upon Rape* achieves the unsettling feat of making allegations of rape seem not just trivial, but tedious. Fielding's satires upon various traits in his society are still present - the plot centres upon a venal, lecherous Justice and his equally rampant wife, whilst Politic and Dabble are a particularly obsessive pair of fore-runners of todays chattering classes. Yet, even though the term "ravish" is apparently employed in a looser sense than we are used to, and despite alterations to Miles' script by director Stephen Rayne, as the evening progresses one becomes more rather than less likely to

question the persistent use of accusations of rape to drive events along. Rayne's production is something of a curate's egg. The good parts include Sheila Hancock's performance as Mrs Squeezum, striking the kind of demurely ruffled note which was the particular province of the late Beryl Reid; Norman Rossington enjoying his stint as Captain Gable and comprehensively outflouting David Henry as Politic; and Laurie Johnson and Lionel Bart's occasional moments of musical inspiration when writing, say, a duet for a pair of tongue-tied lovers reduced to padding their lines out in 18-century scat, or the magnificent rhyme of "plague you" with "ague". These nestle alongside James Staddon's oddly characterless Sotmore (the only young blade who prefers wine to women), and a performance from George Cole

as Justice Squeezum which suggests that, although he is perfectly at ease in a role which has his name written all over it, his heart is not really in it. The play is remarkably relaxed for a farce. The frenzy, when it arrives, is perfunctory, the lustful pursuits rather poised. Only Ivan Kaye as Ramba swashes his buckle almost to the required extent, and even he shows precious little embarrassment when the Platine resolution of the play reveals how close he came to being utterly undone in more than just the breeches department. Perhaps Rayne remains uncomfortable with such a show: certainly an air of half-heartedness hangs over much of the proceedings. Ian Shuttleworth At Chichester Festival Theatre until November 2 (01243 781812).

Concepts of honour

**P**ierre Corneille's *Horace* has waited over 350 years for its British premiere, and it is not difficult to see why. This historical tragedy piles moral conundrum upon moral conundrum and opposes characters like a game of chess. The plot unfolds with mathematical precision - characters advance their arguments in long speeches and there are no pauses for light relief. Yet *Damned Poets'* remarkable successful staging at the Lyric Studio, Hammersmith makes a virtue of the challenge. Sydney Blake's focused, but vibrant production uses a bare stage that allows the actors to address the audience directly, which brings out the topicality of the subject. For this is a play that looks at civil war and the brutal way in which patriotism can rip families apart. Alba and Rome, after years of peaceful co-existence, are on the verge of war. This is

a dreadful prospect, since every family has relatives in the opposite camp. At the last minute their leaders decide to choose two sets of warriors to take on the combat. Horatius and his two brothers are chosen for Rome; Curiatius and his brothers for Alba. But Horatius is married to Curiatius's sister; and Curiatius is betrothed to Horatius's sister: private grief is inevitable. Corneille distils the horror of war down to the devastation of two families. Armed with Alan Brownjohn's supple new translation and Roy D. Bell's vaguely classical costumes, the production brings the tragedy close without forcing it out of its mythical time. Blake's direction is taut, and movement director Lynn Seymour avoids the

danger of people standing like pillars and spouting. The four central performances are nicely contrasted. Louise Bangay's intense Sabina complements Esther Hall's pliant Camilla. As Curiatius, Alex McSweeney is muscular and manly, yet capable of a moment of doubt, while Jake Nightingale as Horatius is as unbending as his sword. His eyes take on a fanatical glint when he mentions Rome, which makes for a strong reading but upsets the balance. The concept of "honour" is a hard one for today's audiences and the arguments are more powerful if we both admire and abhor Horatius; but we just deplore him. Nonetheless, this production makes Corneille's intelligence and compassion ring with new urgency. Sarah Hemming Lyric Studio, London W6 to October 19. (0181-741 2311)

INTERNATIONAL ARTS GUIDE

- AMSTERDAM EXHIBITION Van Gogh Museum Tel: 31-20-5705200 ● The Colour of Sculpture 1840-1910: this exhibition demonstrates the methods and materials used by 18th century artists to apply colour as an expressive medium to their sculptures; to Nov 17
- BERLIN EXHIBITION Alte Nationalgalerie Tel: 49-30-2035550 ● Lovis Corinth - Retrospektive: retrospective exhibition devoted to Lovis Corinth, one of the leaders of German Impressionism. The display includes about 150 paintings, 80 drawings and watercolours, as well as a selection of prints; to Oct 20
- BRUSSELS CONCERT Théâtre Royal de la Monnaie

- COLOGNE CONCERT Kölner Philharmonie Tel: 49-221-2040820 ● Budapest Symphony Orchestra: with conductor Tamás Vásáry and pianist Grigory Sokolov perform works by Liszt, Chopin and Bartók; 8pm; Oct 20
- COPENHAGEN CONCERT Tivoli Concert Hall Tel: 45-33 15 10 01 ● Norddeutsche Rundfunk Sinfonieorchester: with conductor Günther Wand perform works by Mozart and Bruckner. Part of the European Radio Symphony Festival; 8pm; Oct 19
- DUBLIN CONCERT National Concert Hall - Ceoláras Náisiúnta Tel: 353-1-6711888 ● RTE Concert Orchestra: with conductor Colman Pearce and saxophonist Gerard McChrystal perform works by Nyman and Heath; 8pm; Oct 18
- EDINBURGH OPERA Edinburgh Festival Theatre Tel:

- FRANKFURT AM MAIN DANCE Jahrhunderthalle Hoechst Tel: 49-69-3601240 ● Carmen: a choreography by Antonio Gades to music by Bizet, Gades, Solera and Freire, performed by the Ballet Antonio Gades. Soloists include Stella Arauzo, Antonio Gades and Candy Roman; 8pm; Oct 17, 18, 19
- HAMBURG OPERA Hamburgische Staatsoper Tel: 49-40-351721 ● Der König Kandaules: by Zemlinsky. Conducted by Gerd Albrecht and performed by the Hamburgische Staatsoper. Soloists include Thomas Moser and Monte Pederson; 7pm; Oct

- HELSENKI EXHIBITION The Museum of Foreign Art, Sinebryhoff Tel: 358-0-17336360 ● Paper Mirror - Reflections from Rembrandt to the Present: works by Ouli Heiskanen, Marja Kanervo, Kirsi Tittanen and other contemporary graphic artists are presented alongside works by masters such as Rembrandt, Goya and Piranesi. An exhibition presented in co-operation with the Himmelsblau Graphics Workshop; from Oct 17 to Jan 5
- LONDON CONCERT Barbican Hall Tel: 44-171-6384141 ● London Concert Orchestra: with conductor Paul Wynne Griffiths, soprano Christine Tears, tenor Bonaventura Bottone, baritone Mark Holland, the London Choral Society and the Fanfare Trumpeters from the Band of the Welsh Guards perform works by Rossini, Verdi, Bizet and Giordano; 8pm; Oct 19 Queen Elizabeth Hall Tel: 44-171-9210600 ● Orchestra of the Age of Enlightenment: with conductor Ivan Fischer, sopranos Christiane Oetzel and Cynthia Sieden, tenor Jamie MacDougall and basses Jeremy White and Michael John Pearson perform works by Storace, Gazzaniga and Mozart; 7.45pm; Oct 18

- MADRID CONCERT Auditorio Nacional de Música Tel: 34-1-3370100 ● Orquesta Sinfónica de Madrid: with conductor Christian Badea perform works by de Falla, Stravinsky and Brahms; 10.30pm; Oct 18
- NEW YORK CONCERT Alice Tully Hall Tel: 1-212-875-5050 ● The Chamber Music Society of Lincoln Center: with artistic director David Shifrin and reciters Lynn Redgrave and Michael York perform works by Crumb, Ravel and Walton; 8pm; Oct 18, 20 (5pm) Carnegie Hall Tel: 1-212-247-7800 ● Stanford Olsen: recital by the tenor, accompanied by pianist Craig Rutenberg. The programme includes works by Dowland, Schubert, Bellini, Rossini, Lalo and Quilter; 8pm; Oct 18
- NICE OPERA Opéra de Nice Tel: 33-92 17

- PARIS CONCERT Opéra de Paris Bastille Tel: 33-1 44 73 13 99 ● Káťa Kabanová: by Janáček. Conducted by Ingo Metzacher and performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Nancy Gustafson, Tom Krause and Larissa Dladkova; 7.30pm; Oct 19
- VIENNA OPERA Wiener Staatsoper Tel: 43-1-514442960 ● Der Fliegende Holländer: by Wagner. Conducted by Leopold Hager, performed by the Wiener Staatsoper. Soloists include Gabriela Benackova, Nelly Boschkowa and Walter Fink; 7.30pm; Oct 19

- WORLD SERVICE BBC for Europe can be received in western Europe on medium wave 648 kHz (483m)
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COMMENT & ANALYSIS



Ian Davidson

Mildly sceptical

British hopes that the Dutch presidency of Europe may ease their problems with closer integration are forlorn

Is it possible that the Dutch may be turning Eurosceptic? It sounds unlikely. From the beginning they have been in the vanguard of support for the ideals of European integration. And yet there are indications that the Dutch body politic may be starting to lose some of its pristine enthusiasm for the European enterprise.

Public opinion seems to have cooled; the mainstream political parties are more reserved about Europe than they used to be; and Mr Frits Bolkestein, leader of the rightwing Liberal party, has courted controversy and won popularity by openly challenging the traditional Dutch rhetoric of Eurofederalism. At their recent meeting in Dublin, European heads of government decided that the intergovernmental conference (IGC) for reforming the European Union must be wound up next June. This timetable gives the Dutch a leading role in stage-managing the closing phase of the IGC. For they will hold the EU presidency during the first half of next year, and they will therefore preside at the final summit in Amsterdam in June. So the Dutch attitude to Europe could make quite a big difference to the way the intergovernmental conference is played out.

In particular, it could affect the UK, which has been resisting any moves in the IGC to increase political integration in Europe. And since the Dutch have, in the past, always been Britain's staunchest friends in Europe, some people in London may hope that a cooling of Dutch ardour for the EU could make all the difference from the British point of view between an endgame to the IGC that was just gritty or one that was truly horrendous.

Such hopes are way off-beam. The Dutch may have

lost some of their former idealism or enthusiasm about European integration but nothing like enough to ease, let alone solve, the British problem.

In the Netherlands, Mr Bolkestein may give the Dutch a frisson with his sulphurous challenge to the conventional rhetoric; but in Britain he would appear to be a convinced, if narrow-minded, pro-European.

The cooling of Dutch public opinion is clear. In a recent poll, 40 per cent wanted a referendum before any further progress in European integration, only 46 per cent supported a single currency; only 15 per cent wanted the EU to become a federal grouping; and nearly two-thirds wanted to keep the national veto in the Council of Ministers in Brussels.

In parliament, the mid-year debate on Europe highlighted the split in the governing coalition. In contrast to the Labour party, led by Mr Wim Kok, the prime minister, and the leftwing liberal Democrats-66 party, Mr Bolkestein's rightwing liberal VVD party opposed majority voting on a European foreign policy, opposed any strengthening of the social chapter of the Maastricht treaty, and opposed writing in any treaty com-

'No one can avoid further integration of Europe. It is a necessity. The voters know their income depends on Europe'

mitment to increase employment.

Mr Bolkestein, who used to be a businessman, comes across as a hard-nosed, no-nonsense free-marketeer - but not as a Eurosceptic, at least not in the British sense. "I started this debate in September 1991," he says. "At first it upset people; but since then, the debate has moved in my direction."

In the autumn of 1991, when the Maastricht negotiation was entering its final phase, the Dutch government proposed replacing a moderate Luxembourg draft treaty with an overtly federalist text. It was rejected outright by the other member states in September of that year. This traumatic day for Dutch diplomacy is now known in the Netherlands as "Black Monday", and it is one of the reasons why the Dutch establishment has backed off from any forward, federalist strategy in the intergovernmental conference.

Mr Bolkestein has this much in common with Britain's Eurosceptics: he openly denounces the idea that his country should be a net contributor to the EU budget, and condemns the structural subsidies for the poorer member states. But he is in favour of economic and monetary union, provided the criteria are not fudged; he thinks that without the single market is not sustainable.

Mr Jacques Wallage is the parliamentary leader of the Dutch Labour party. "No one," he says, "can avoid the further integration of Europe. It is a necessity. The voters may be less idealistic than me, perhaps; but they know their income depends on Europe."

I asked him about Germany, for it is commonly said that the Dutch still hate the Germans. "I first went to Germany when I was 36. I suddenly realised they too had a terrible war. Today, it is a near-

miracle to feel that we have more in common with them than differences. There is now no hostility to Germans here; we respect German democracy. Never again, as [Chancellor Helmut] Kohl has said. This is my main reason for Europe - not Emu, and not trade."

So what about the UK? "I follow the British debate with a lot of apprehension. What the Eurosceptics are saying is contrary to British interests; and it will not work. We need the British, not in any economic sense, but for a debate on values. But I have no illusion that the British problem will go away."

I also talked about the British problem with Ms Yvonne van Rooy of the opposition Christian Democrat party. "The feeling of the Netherlands for Britain has changed," she said. "We used to feel close to the UK. But now there is so much disappointment with the Major government. So we shall turn more to Germany and France."

Mr Bolkestein is frankly dismissive of English antics. "It's a pity about the rhetoric. But, frankly, the Anglo-Saxon world has no impact on the Netherlands. People say, oh, that's just Thatcherism; and it doesn't improve Britain's standing here."

Mr Gerrit Wolfensperger, parliamentary leader of the D-66 party, is less diplomatic: "We hope Tony Blair will turn out more pro-European after the election. But in the Netherlands, we think of England as the strange man in Europe."

So I asked him: is the governing coalition as divided on European integration as it seems? "Oh no: every party seeks its identity at the fringe; but every party must be able to join a new coalition; there is much more consensus than appears." And in the Netherlands it is not a Eurosceptic consensus.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "line"). e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, http://www.ft.com. Translation may be available for letters written in the main international languages.

Wishes of people must come first

From Mr John Wilkinson MP

Sir, It was good to see the seriousness of the issue of economic and monetary union addressed in your editorial "New money for Europe" (October 14). You are wrong in saying there has not been a serious debate about Emu in the UK. There has been, but the unpalatable criticisms on the subject have caused their authors to be variously described as bastards, little Englanders or, more flatteringly, Eurosceptics.

You rightly state that a referendum (on the euro) would be essential. However the timing is crucial. The referendum should precede and mandate a decision by the government whether to adopt the euro.

The very real issue of sovereignty, under-emphasised in your editorial, should impel the government to put the wishes of the British people first before there is any question of their country's currency being abolished, its reserves transferred to Frankfurt and its monetary policy decided by the European Central Bank.

The democratic importance of national economic independence should not be underestimated.

John Wilkinson, House of Commons, London SW1A 0AA, UK

From Mr Simon Dye

Sir, With only Luxembourg meeting the strict economic criteria and in the past month even Spain and Italy announcing their intention to try and join the Emu bandwagon, the real danger must be that political expediency will override economic logic and create another flawed monetary system, the ultimate demise of which will make the ERM's unravelling look like the Boston Tea Party.

With so much changing so rapidly the UK is right to wait and see before rushing blindly up a one-way street.

Simon Dye, 78 All Saints Road, Cheltenham, Glos GL52 2EA, UK

US hand in sustaining oil prices

From Mr P.R. Odell

Sir, Your energy correspondent argues ("A wellspring of demand", October 12/13) that the causes of the recent sharp increases in international crude prices are "mundane" - related entirely to short-term market considerations.

There is an alternative explanation about which I warned two years ago (see "International Oil: a return to American Hegemony" in *The World Today*, November 1994). The US has never disguised its concern for the security of oil supplies but now, in the absence of countervailing Soviet power and in the aftermath of the Gulf war, it is also able and required to sustain the oil price at a level which

satisfies the revenues required by its allies in the gulf, notably Saudi Arabia.

This implies restricting supplies from elsewhere so, in addition to an unbending stance on oil exports from Iraq, it has imposed sanctions on the Libyan and Iranian oil industries and even threatens that of Nigeria.

Ineffective though these actions may be in achieving large reductions of oil flows they can, nevertheless, create that marginal fall in supplies which makes all the difference to traded oil markets in the short term.

Moreover, US oil companies remain large producers of internationally traded oil and can fine-tune supplies. A few decisions by

the companies to shave output by very modest volumes from a variety of locations would serve US policy needs; and, of course, hardly be adverse to the companies' upstream earnings.

Finally, it is merely a coincidence that US oil geologists related to federal institutions appear to have chosen the present moment (see the *Geopolitics of Energy*, September 1996) to resurrect the ancient - and discredited - notion that the world is about to run out of the ability to sustain current levels of production?

P.R. Odell, professor emeritus, Erasmus University, Rotterdam, The Netherlands

Nation in the grip of a Great Serpent

From Mr David Peterson

Sir, What are readers to make of Michael Prowse's version of America, which appears every Monday? After reading "Gomorrah beckons" (October 7), his entirely sympathetic review of Robert Bork's new book, *Stouching Towards Gomorrah*, I found that question kept doing somersaults in my head.

It seems that Prowse's (not to mention Bork's) America lies in the coils of some Great Serpent, bent on squeezing the last gasp of virtue from the land.

The only question left unanswered is whether the Lord will rain down fire and brimstone on the skies on this America today or wait until after the elections.

Neither Bork nor Prowse

is committal about His schedule. Perhaps their calendars are full?

Just what kind of serpent has us in its coils is another matter. Prowse's catalogue was illuminating. All the usual suspects of the rightwing's *Kulturkampf* turn up on his police blotter: rap music, violent and pornographic films and videos, the O.J. Simpson trial, out-of-wedlock births, crack cocaine, and the rest of the "symptoms of a cultural and moral decline that is assuming terrifying proportions".

America is reeling from that "awful decade" of the 1960s, Prowse's tablet of sins continues. Plus "multiculturalism", "diversity", "radical egalitarianism" and "such irrational dogmas as

progressive income tax" (a system Prowse denigrates as "a product of pure envy") and "racial quotas". Then, there's "radical individualism", "rampant feminism" and "political correctness".

Odd, but probably a greater number of Americans have been able to partake in a greater share of the good life on account of "modern liberalism" than thanks to anything Prowse, Bork, et al would ever brook in any society they ruled as philosopher kings. Again, the rightwing's *Kulturkampf* is in ascendancy here. That settles it. Say no more.

David Peterson, 9401 S. Springfield, Evergreen Park, Illinois 60805, US

Dark side of 'green' fuel

From Lady Thomas of Stuymerston

Sir, Fibrowatt's "green" fuel ("Chickens give power station its energy", October 4) derives from the dung of "barn" chickens kept in vast sheds in conditions of such high density that no ground is visible. They never see daylight during their short lives, are fed antibiotics to combat diseases, many die trampled under their fellows, and more have broken legs and other deformities.

The success of Fibrowatt makes it improbable that the battle to alleviate the plight of these unfortunate animals will for the time being succeed. Instead, huge increases in numbers, worldwide, seem likely until, if "mad cow disease" is anything to go by, human health is threatened.

Vanessa Thomas, 75 Bay State Road, Boston, Mass 02215, US

Little to add

Mr T.S. Bunch

Sir, I was amused by Jancis Robinson's reference ("The tasteless food society", October 5/6) to Greek salad ("just add lettuce"). It reminded me of some packets I once spotted on a market stall of French dressing mix ("just add oil and vinegar").

T.S. Bunch, 16 Clifton Park Road, Davenport Park, Stockport, Cheshire SK2 6LA, UK

New designs on success

Soaring sales of luxury goods are driving bold plans by fashion houses, says Alice Rawsthorn

Anyone wondering why a conservative French businessman should have hired a self-styled East End "oik" who brags of having scrawled obscenities in the lining of the Prince of Wales's jacket should look at Gucci's share price.

Once dismissed as a spent force, Gucci has become one of the world's hottest luxury labels in the four years since Tom Ford, a young Texan, took charge of its design. Gucci's share price has almost tripled since it went public a year ago.

Mr Bernard Arnault, chairman of LVMH, France's largest luxury goods group, is now trying to replicate its success by placing three of his best-known brands in the hands of hip young designers. John Galiano has been drafted into Christian Dior, Marc Jacobs into Louis Vuitton, and the Alexander McQueen, the "oik", into Givenchy.

Yet for every success story such as Gucci there are designers whose attempts to rejuvenate luxury brands have flopped. Claude Montana only lasted a few seasons at Lanvin, and even Karl Lagerfeld, who successfully revitalised Chanel in the 1980s, could not salvage Chloé. Mr Arnault is gambling that his trio will be among the successes.

Whatever the odds on his gamble, Mr Arnault had to take them. Luxury sales are soaring. The established markets of north America, Europe and Japan are buoyed by economic recovery, and fertile new markets are emerging in Asia and Latin America.

Mr Edouard de Boisgelin, luxury goods analyst at Merrill Lynch, estimates that annual growth in the luxury market, which fell to 3.1 per cent in the recessionary period between 1989 and 1992, rose to 8.7 per cent from 1993 to 1995, when the global market was worth \$35bn at retail. He anticipates higher growth of up to

12 per cent for this year and next year.

LVMH should be well positioned to benefit from the market's buoyancy, as Dior, Givenchy and Vuitton are among the most celebrated luxury labels. But its brands, like other traditional French names, have been hampered by the strong franc and the shift in consumer taste from classic Paris chic to the sportier styles associated with Italian and US designers.

The group's luggage brands, of which Vuitton is the biggest, mustered 10 per cent sales growth in the first half of 1996 (when Gucci doubled sales and tripled profits). Its "LV" initialled line has attained the dubious honour of cult status among the fashion cognoscenti, who see it as a symbol of 1970s kitsch.



On the catwalk: Arnault is gambling on success

LVMH's perfumes, by far the most profitable business for fashion brands such as Dior and Givenchy, suffered a fall in interim operating profits. Dior's latest fragrance, *Dolce Vita*, and Organza, the new Givenchy scent, have sold fairly well. But both have been surpassed by the new best-sellers, L'Oréal's *Polo Sport* and Estée Lauder's *Tommy Girl*. They share similar sporty images and are linked to US fashion designers, Ralph Lauren and Tommy Hilf respectively.

Mr Arnault's brands will face fiercer competition in future. Gucci plans to open new boutiques in Asia and north America, as does Prada, now negotiating a perfume deal with Lauder. Meanwhile US designers Calvin Klein and Hilf are expanding in Europe and Asia.

Mr Arnault, renowned for his ruthless approach to business since winning the battle for control of LVMH in the late 1980s, is retreating by investing in his brands. A 21-storey Louis Vuitton superstore is under construction in New York.

The appointment of the three young designers is a critical part of Mr Arnault's recovery strategy. Marc Jacobs, 36, a photogenic New Yorker, has been hired to create a clothing line for Vuitton in the hope that he will modernise its image among the young luxury consumers now flocking to Gucci and Prada.

John Galiano, 36, and Alexander McQueen, 27, have similar briefs at Dior and Givenchy. Both are known for flamboyant personalities and iconoclastic designs. Galiano is given to greeting fashion editors with "Give us a snog, girl!",

and McQueen has hit the tabloids with his buttock-revealing "bumster" trousers.

Both Britons have proved their ability to woo the press, and Jacobs seems assured of patriotic coverage in his native north America. "They're sure to generate more media attention, but that doesn't necessarily translate into higher sales," comments Mr de Boisgelin.

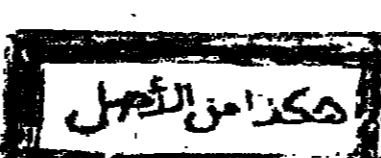
His concerns are reinforced by Givenchy's progress in the year since Galiano became its chief designer in preparation for his move to Dior. He has raised Givenchy's profile and attracted younger couture clients, but not enough to compensate for reduced orders from older ones. Omniscient, sales of Organza, the first new scent since his arrival, have been respectable, but not scintillating.

Some observers suspect it may be easier for Marc Jacobs to commercialise LV's kitsch status. Just as Tom Ford profited from the early 1990s cult craze for Gucci loafers, than for the Britons to transform Dior and Givenchy.

One problem is that sportswear brands such as Nike and Diesel are seen as hipper than couture labels by young consumers. The US designers now expanding internationally are doing so through sportswear lines, notably Calvin Klein's CK Sport and Ralph Lauren's Polo.

Several designers, including Helmut Lang and Paul Smith, have rejected opportunities to join famous Paris houses, despite the financial security they provide. LVMH can seek solace in the fact that Tom Ford's success at Gucci proves that it is possible to revitalise old-fashioned luxury labels. But even Mr Arnault's confidence must have faltered last week when, after two reviews for its latest collection, Gucci's share price fell 11 per cent in five days.

Cardiff Bay advertisement featuring a large graphic of a bay and text: 'Cardiff Bay', 'Not just virtual... but reality', 'Europe's most exciting waterfront development'. Includes contact information for Baltic House, Mount Street Square, Cardiff CF1 6BH.

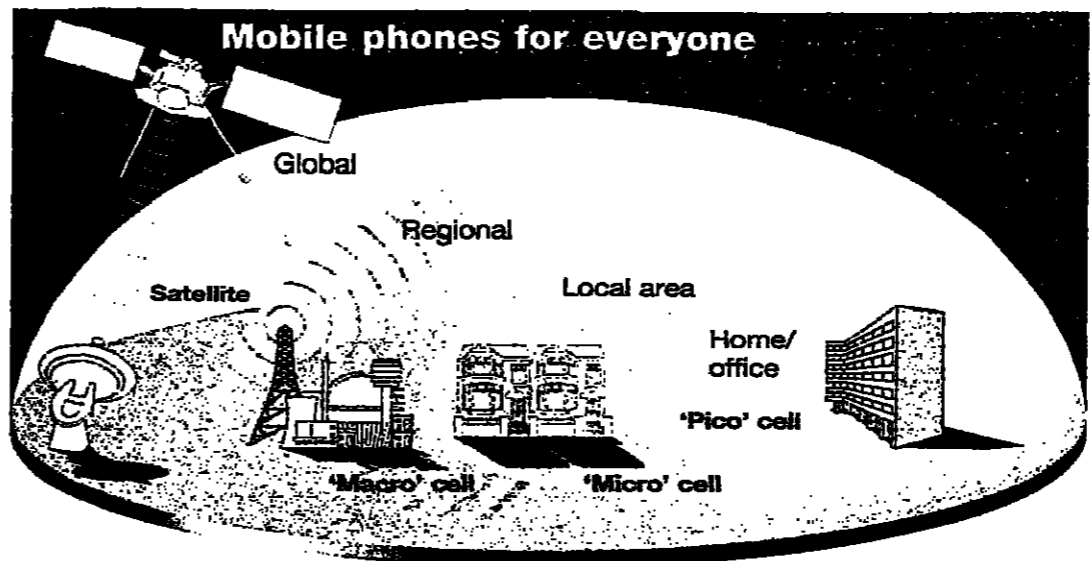




COMMENT & ANALYSIS

# No clear line to profit

## The rise of the mobile phone is unstoppable but making money from this new mass market is not so certain, says Alan Cane



The world's top cellular markets

Country	System	Launch	Subscribers (million)	Yearly growth (%)	Number of subscribers per 100 inhabitants
US	AMPS	1983	33.7	39.9	13.5
Japan	Various	1979	8.1	107.0	6.5
UK	Various	1985	5.4	54.0	8.3
Germany	Various	1985	3.7	50.0	4.6
Italy	Various	1985	3.9	75.0	6.9
Canada	AMPS	1985	2.5	51.2	9.3
Australia	AMPS/GSM	1986	3.1	87.0	18.1
China	Various	1987	3.6	122.5	0.3
Sweden	Various	1981	1.9	49.0	22.7
South Korea	AMPS/CDMA	1984	1.6	70.9	3.7
France	Various	1985	1.3	66.0	2.4
Thailand	NMT-450/AMPS	1986	1.2	46.9	2.1

Source: International Telecommunications Union, Mobile Communications

# ERM entry for Italy

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Wednesday October 16 1996

Over the last month or so, a number of painful truths have been brought home to the Italian government: monetary union is likely to go ahead in January 1999; Spain and Portugal are more plausible candidates than Italy; and, worst of all, the Maastricht treaty criteria are unlikely to be laid aside in its favour. This explains the larger-than-expected budgetary package from the government of Romano Prodi. But it has also made discussions of the lira's re-admission to the exchange rate mechanism more important than before.

A strict reading of the treaty suggests that Italy is already precluded from membership of Emu in January 1999. It states that the reports on member states due in early 1998 shall look for "the observance of the normal fluctuation margins provided for by the ERM for at least two years, without devaluing against the currency of any other member." Under plausible interpretations, Italy can no longer meet this criterion.

Ever optimistic, Italy hopes for a fudge. But many Germans are desperately seeking ways to exclude countries that have failed to demonstrate the requisite fidelity to a stability oriented policy. Italy is at the top of this list of undesirable. When Mr Hans Tietmeyer remarked last week that "it is important... that the member countries do not just reach the criteria through a breathless short-term effort with one-off results, but might well have had Italy in mind."

Even if membership of ERM in the near future would count in 1998, Italy must agree a parity. Ever watchful for competi-

The mobile phone went from yuppie accessory to indispensable business tool in less than two decades. Now it seems set to vie with the fixed-line telephone as the personal-communications device for the mass market.

But the industry faces a tough time before the cellular phone becomes ubiquitous. Revenues per customer will fall because of increased competition and a rise in the ratio of low-spending residential customers to high-spending business users.

Heavy investment in network infrastructure and customer billing systems is inevitable. And established operators have the delicate and expensive task of moving millions of customers from today's outmoded analogue networks to the digital variety.

Research suggests that subscribers will turn to mobile phones for the majority of their outgoing calls only when mobile charges are in line with fixed-network rates and offer equivalent quality and reliability.

There is some way to go in each of these departments. The cellular business - the exuberant adolescent of the telecoms industry - will have to reform its tariff structures and improve customer care and service quality if its full potential is to be realised.

"The changing mix of customers that mobile operators will be dealing with in future will have serious consequences for the way they operate," says Mr John Darmbrough, a senior analyst at Analysys, a UK consultancy which advises telecoms companies worldwide. "Their future prospects will be determined by their ability to reconstruct their businesses to benefit from these changes."

Nevertheless, the mobile future, to paraphrase the advertisement of Orange, the UK operator, seems bright. Mr Nicholas Negroponte, head of the Massachusetts Institute of Technology Media Lab, projected a vivid picture of mobile communications in his recent book *Being Digital*. "Early in the next millennium, your right and left cuffs, links or earrings may communicate with each other by low-orbiting satellites and have more computer power than your present personal computer."

The first satellites to provide truly global mobile communications for handheld phones are expected to be launched next year: there is no need for futurology to appreciate the progress mobile communications have made since the introduction of cellular technology in the 1980s.

Cellular systems, which use and re-use scarce radio frequencies, at first made mobile communications possible - at a price - for business customers. Over the past few years a move from analogue to digital technology has

enthusiastic users, with penetration rates of more than 26 per cent. The US, with 38m subscribers, has a penetration rate of only 14.5 per cent while the UK, western Europe's largest market with just over 6m subscribers, shows a penetration rate of just under 13 per cent. Belgium, France, Greece and Portugal all have penetration rates of less than 5 per cent. China, with about 5m subscribers, has a penetration rate of less than half a per cent.

The potential for growth of the global mobile phone business therefore remains substantial. This explains investors' enthusiasm for cellular stocks, as the success of the Orange flotation in London showed, and operators' desire for new mobile licences as they become available.

The US Federal Communications Commission has raised \$7.7bn and \$10.1bn in successive years from the auction of mobile digital licences. Competition in smaller markets is equally intense. France Telecom, Stet of Italy, TeleDanmark, Motorola of the US and Telefonica of Spain are competing for two digital licences in Romania: the winners will pay a fee of \$50m and commit to spending up to \$500m over 10 years to build the infrastructure.

Scandinavians are the most

Competition among a swathe of mobile operators is forcing down call charges to the point where they will be affordable for most of the population. Some of these operators - AirTouch of the US and Vodafone and Cable and Wireless of the UK - have made substantial overseas investments and can claim to be global wireless communications companies.

By most measures the industry's statistics are impressive. There are some 130m cellular phone subscribers worldwide and projections indicate there could be 300m by 2000, equivalent to the number of fixed telephone lines in place in the US, Japan, Germany, France and the UK.

The annual value of the global market for mobile telephony is expected to grow from \$85bn in 1995 to \$150bn by the end of the decade, according to Mr Neil McCartney, editor of the newsletter *FT Mobile Communications*.

Yet mobile phone penetration - the number of subscribers per 100 inhabitants - lags well behind the levels found for typical consumer products such as television sets or video recorders.

The new mass market for mobile communications, however, is very different from the business market which has dominated the industry to date.

Mobile operators and their suppliers will have to travel a "choppy old road" to cope with the changes, says Mr John Carrington, managing director of Mobile Systems International, a UK company which creates computer software used by many of the world's mobile operators to plan their digital networks.

The first potholes are already apparent. Growth in some markets is slowing, albeit from a frenetic pace. In the US, the world's largest cellular market, growth in 1995 declined to 40 per cent compared with 50 per cent the year before, as operators and customers paused before making the move to digital services. And this year there are expected to be only 9m new subscribers, compared to 9.65m in 1995.

In Europe, growth in most of the leading markets has been sluggish. Motorola, the world's largest manufacturer of mobile phones, this month blamed poor third-quarter results partly on competitive pressures in the business of selling handsets.

Much of this can be put down to the growing pains of a fast-ex-

panding industry. But there are fundamental challenges.

The chief problem is declining revenues per subscriber. Residential subscribers use their phones less than business customers and are more conscious of cost. Mr Alex Nourouzi of the London-based consultancy Ovum calculates that revenues per subscriber in western Europe will fall from \$773 in 1996 to \$526 in 2000 before rising again in the new millennium.

Earlier this year the consultancy CIT noted gloomily: "In western Europe, because nearly all growth in the market is coming from 'low call' or personal subscribers, the average revenue per subscriber for the market as a whole is plummeting."

For mobile phone companies, the harsh climate means paying close attention to costs and margins. Mr Sam Ginn, chief executive of AirTouch Communications, emphasises the importance of reducing costs per unit faster than the decline in average revenues. Vodafone, the leading UK cellular operator, believes that it can compensate for declining revenues per subscriber by increasing the number of customers.

All companies, however, will have to manage "churn" as they broaden their subscriber base to include the mass market. Churn is a measure of the proportion of customers who leave the network or are disconnected for bad debts or fraud. It has been very high - as much as 40 per cent in the worst years - and high churn is associated more with residential than business customers.

In the west, a particular cause of churn has been the fact that handset prices have been kept artificially low by heavy subsidies from operators and their intermediaries. Subsidised handsets broaden the market but raise costs for operators and create confusion in the minds of their customers about the real costs of a mobile service. "The operators all know it's wrong, but they can't stop themselves doing it," says Mr McCartney. The industry is being reluctant to tell customers that a handset worth perhaps £200 but sold for less than £50 must generate charges of several hundred pounds a year if operators are to cover their costs and make a profit.

The rise of the mobile telephone as a consumer product is unstoppable. Like the car, the television and the personal computer, it extends the powers of the individual in a way that makes its triumph inevitable. But for the next few years the mobile operators and investors in mobile companies will have to pick their way carefully through the obstacles if they are to benefit from this new mass market.

# Over the water

For most of this millennium London Bridge was falling down. The first wooden bridges were burned or washed away. The famous stone bridge, begun 800 years ago, stood on such massive piers that the waters poured through it scouring out the foundations. Still it remained the only crossing, complete with its houses, chapel and gatehouse (once festooned with severed heads), until the 1750s.

Then wider, more elegant arches could be used to defeat the elements, carrying Westminster Bridge grandly across the stream. Since then newer technologies allowed a fine variety of bridges to be built.

Some, alas, were brutal assemblies of iron and steel. But others, such as Tower Bridge, paid homage to the grandeur of London's central artery, causing the spirit to soar a little in the daily round. Now, three new bridges are being mooted, a footbridge at Hungerford, a grand if distant vision of an inhabited bridge and a footbridge joining St Paul's Cathedral to the new Tate gallery.

A shortlist of designs for this last was announced yesterday as part of a competition sponsored by the Financial Times. The winning design should be conceived as much more than just another way across the water. It should fire the imagination by its mastery of an ancient problem and provide a catch of excitement for those standing high above the Thames. It should also be part of a plan to reclaim the river as the city's heart, as it was for almost a thousand years.

# Welfare reform

Frank Field MP did the opponents of radical welfare reform a big favour yesterday in publishing his detailed plans for overhauling the UK system. In one short volume he provides all the reasons why sensible politicians - of all parties - need more or less resigned to living with the status quo. But he has also spent out the kind of country they might have to live in as a result.

Reform along the lines suggested by Mr Field would be hugely costly, both financially and politically. Drawing on estimates calculated by the government actuary, Mr Field says his programme would cost the taxpayer an extra £3bn. But this excludes the long-term cost of winding down the present, state-run, second pension system.

The net, "headline" figure also casts a veil over the most politically risky aspects of the reform idea. Moving to a system of universal, compulsory saving for old age would directly reduce disposable income for all but the very low-paid. And shifting large amounts from personal income tax onto national insurance would impose sizeable losses on high earners.

Mainstream politicians are unlikely even to contemplate reforms on this scale unless convinced they are inescapable. Peter Lilley, the social security secretary, is not. And neither, to judge by recent policy announcements on the subject, is the Labour party.

They have respectable arguments to support their position. Conservative pension reforms have seen off the biggest threat to the system by drastically reducing the public cost of providing for people in their old

# Armstrong to ring bells?

As the guessing game as to when the president's seat at AT&T reaches fever pitch, an announcement is expected today - attention has focused in the final lap on Michael Armstrong at General Motors subsidiary Hughes Electronics.

The telecoms giant certainly knows Armstrong, and has already demonstrated its regard for his work with its January acquisition of a 2.5 per cent stake in DirecTV that put a price of \$55bn on the fledgling satellite broadcasting operation.

The man who joined four years ago from IBM, where he was already deemed too old to inherit the chairman's mantle, has certainly made his mark, turning around the once-troubled defence and space contractor, and launching it headlong into new departures such as DirecTV.

This ability to manage simultaneously both mature and leading-edge technologies has marked him out as a managers' manager, repeatedly named in polls among the country's top operators.

He joined GM's seven-headed "president's council" last year, and is already the second highest-paid executive in the group, behind only chief

# Hunt for a world standard

communications in areas of dense population.

The US is lagging behind in the move to digital, although there are some 100,000 customers for the European standard there. Most US mobile phones use the analogue AMPS system. AT&T and others are developing a digital system called time division multiple access.

Despite its use in military sat-

# OBSERVER

## Executive Jack Smith

But the time may have come for Armstrong to move. GM has for months been showing signs that it may be ready to cash in its gains by selling or spinning off Hughes.

Such a decision could spin Armstrong off into an orbit far from the GM centre, while changing jobs for only the third time in his life and moving to AT&T would put him smack in the heart of things again.

Just as political change challenged Hughes, AT&T must now cope with a revamped regulatory climate and the global telecoms revolution. Since it has chosen to move into the satellites business in harness with Hughes, hiring the man who showed it the way could be the next most sensible thing to do.

## Gold dust

The phone failed to ring on a large number of desks this morning as Goldman Sachs bestowed just 36 of its coveted partnerships.

Making partner at Goldman is one of the best things that can happen to you on Wall Street - provided you don't value your personal life - but the chance comes only every other year and the fight is getting tougher; in 1994, as many as 80 were called.

This time, a further 85 or so

## Leaflets signed by central bank staff circulating yesterday

accused the deputy governor of "playing politics" by accepting his new position from a disgraced politician like prime minister Banham Sipa-archa.

The last senior bank official accused of such things by his own staff was Vijit Supinit who also allied himself with Banham - and ended up resigning in disgrace.

## Minister inflation

Well, Thailand now has its fourth finance minister in 15 months.

Chaiyawat Wibulswadi is on loan from the central bank, where he is deputy governor, and the place to which he will be returning after next month's election - when the country can look forward to its fifth finance minister in 16 months.

It may be no bad thing for the independent central bank to have one of its own mindings a rival institution during a caretaker government, but the last thing Chaiyawat should expect is a warm welcome when he returns to his old desk.

## Hard-pressed

A section of the French press took time off yesterday from one of its favourite sports - denouncing the privileges of others - to complain about the abolition of one of its own perks.

The Equipe sports newspaper, several of the country's regional dailies and Radio France chose yesterday, when the 1997 draft budget was being debated in parliament, to strike over the decision to deprive them of their 30 per cent income tax break.

Agence France Presse, the wire agency and lifeblood of many other news organisations, was also en greve over the tax reduction that hacks have enjoyed for the past 62 years. So those newspapers which continued to appear, including Le Monde, filled the resulting blank spaces with yet more indignant articles attacking the tax changes.

## 100 years ago

Abuse of Lawyers  
The abuse of lawyers is a very favourite occupation with some people, but it is not often permitted to us in this country to witness an exchange of amenities such as that which occurred a few days ago in the United States during the hearing of a case affecting the interests of the Chicago Gas Companies.

Attorney General Moloney, nettled by his opponent, Attorney Trude, remarked that his learned brother furnished a beautiful example of the devil rebuking sin.

Whereon Mr. Trude stood up within a foot of the Attorney-General, and described Mr. Moloney in the following picturesque terms. "He is the incarnation of sin, from the diamond which blazes on his shirt front to the patent-leather shoes that encase his feet, and if my record is equal to that of the Attorney-General, then the first part of his statement as to me being a devil is true, and the devil does rebuke sin." At this juncture the judge adjourned the case - an interruption which causes some regret, as it is obvious that the rival lawyers were just warming up to their work.



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# FINANCIAL TIMES

Wednesday October 16 1996

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WOISELEY

## Motor groups announce \$2bn investment plans

By Haij Simonian and John Griffiths in Birmingham

Investment projects worth more than \$2bn were announced by motor groups at Britain's international motor show yesterday.

Plans were unveiled by Rover, Proton and Vauxhall at the event in Birmingham.

Rover, the British subsidiary of the German BMW group, revealed a £400m project to build a new model in its four-wheel-drive Land Rover series. It will fit in beneath its Discovery and Defender ranges to compete with Japanese rivals such as Toyota and Honda.

The project is part of a £3bn, six-year investment programme agreed by BMW when it bought Rover in 1994.

Proton, the Malaysian car-maker, announced plans for a new factory near Kuala Lumpur to produce 1m cars a year.

The new modular plant will be built in four stages, starting with a facility to make 250,000 vehicles a year from early 1999. Proton, formed in the 1980s to build a "national" car,

## Rover, Vauxhall and Proton unveil expansion proposals

has become increasingly active in export markets. This year it will produce 180,000 cars, rising to 230,000 next year and a planned 500,000 by the turn of the century.

The group said it was talking to a number of potential foreign partners to supply technology for its new range of vehicles.

Vauxhall, the UK subsidiary of General Motors of the US, said it would spend £200m by 1998 to restructure and expand its factory at Ellesmere Port on Merseyside.

Once renowned for poor industrial relations and disappointing quality, the factory has improved its productivity substantially, but is now suffering from an outdated design which the new investment will help to modernise.

Ellesmere Port is one of GM's main factories for the Astra hatchback, which competes in the biggest segment of

the European car market. The new money will raise Astra output by more than 10 per cent to about 160,000 units a year in time for the introduction of the next-generation Astra in about two years.

Mr Nick Reilly, Vauxhall's chairman, said the factory might also produce the Corsa, GM's smallest European car.

"We believe there is a possibility GM will need to invest in more Corsa capacity. If so, we will put our best foot forward," he said. No decision is expected for at least a year.

Meanwhile, TVR, the small UK producer of high-performance sports cars, launched new six and 12-cylinder engines. This confirms a sharp upswing in TVR's performance, with output expected to soar by about 50 per cent to 1,500 cars this year.

See Lex: Proton's 1m cars, Page 7; Motor Show, Page 8

## EU in talks on trapping methods in bid to avoid fur ban

By Caroline Southey in Luxembourg

The European Union plans to dilute demands for a comprehensive ban on the use of leg-hold traps in fur-producing countries, in a bid to avert its threatened block on imports of furs early next year.

The EU has been at loggerheads with Canada, the US and Russia for five years over the use of leg-hold traps. The row has particularly soured relations between Ottawa and Brussels. Limit communities in Canada have condemned the EU for threatening their livelihoods.

Pressure is mounting on both sides to settle the dispute before the January 1 deadline for the fur imports ban to start.

"The EU looks set to agree the compromise. It is moving in some areas," an EU official said yesterday at an environment ministers' meeting in Luxembourg where the issue was discussed.

But, he added, "flexibility will have to be shown on all sides".

The EU has demanded that unless Canada, the US and Russia ban the use of leg-hold traps or implement "humane trapping standards", Brussels will impose a block of imports of furs from animals caught in this way.

Canada and the US have warned they will refer the issue to the World Trade Organisation if the EU presses ahead with the ban.

The EU has delayed its implementation for two years to give fur exporters more time to devise alternative trapping methods. The delay was strongly opposed by environment ministers from Austria, the UK, the Netherlands and Sweden.

The EU, Canada, the US and Russia moved closer to a deal after talks in St Petersburg last week, setting 12 out of the 16 points in the proposed agreement.

The four outstanding issues include a Canadian demand that the ban on leg-hold traps be phased in over 10 years and a parallel demand for the continued use of padded traps.

However, a deal with the Canadians could face stiff resistance from environment ministers in the EU council of ministers.

EU officials predicted that there could be a sufficient number of member states to block the agreement in the council.

Environment ministers from the Netherlands and Austria yesterday threatened to introduce unilateral bans on imports of fur if the EU failed to secure a tough agreement with the fur-producing countries.

## US railways merger plan

Continued from Page 1

only freight trains. Passenger train services are operated by Amtrak, an ailing public sector body which pays the private railroads for the use of their tracks.

CSX and Conrail said that one benefit of the merger would be the opportunity to divert freight trains away from some of the busier Amtrak routes in the north-east and put them on alternative, freight-only routes. This would enable Amtrak to improve services.

However, the biggest benefit to CSX and Conrail will be the greatly enlarged range of destinations they will be able to offer their freight customers without the need for costly and time-consuming transfers between separately owned networks.

## Currencies

Continued from Page 1

over Emu and from the rise in oil prices.

Institutional investors, particularly US funds, have come to believe that rising UK economic growth is likely to continue, suggesting upward pressure on UK interest rates.

This month's conferences of the British political parties had reassured investors that a Labour government would be tough on inflation, while the ruling Conservatives were unlikely to over-stimulate the economy through a "give-away" Budget next month.

## Strong recovery by Ecu on hopes of Brussels pledge

By Gillian Tett, Economics Correspondent

The European basket currency, the Ecu, has strengthened sharply in recent weeks, partly in anticipation of a firm commitment today by the European Commission to fix a one-to-one parity between the Ecu and the new euro.

The Ecu yesterday closed at its highest level for more than two years against the D-Mark at DM1.920.

At this rate, the Ecu's traded value is almost equal to its nominal level calculated by adding the value of the different weights assigned to its 12 component European currencies.

In sharp contrast, investors were so reluctant earlier this year to buy Ecu that its market value was almost 3.5 per cent cheaper than its nominal value.

The recent rally partly reflects growing faith that European monetary union will take place and the euro will be created.

But it also comes as the European Commission prepares to issue new pledges about the future of the basket currency after monetary union.

Over the last two years, investors have been deeply concerned about how the Ecu would be treated if Emu starts, as planned, in 1999. European governments last

year promised that the currency would be converted into euros at a rate of one to one. The Commission issued draft legal proposals this summer to put this into practice.

But some lawyers feared these proposals would not cover all Ecu contracts. As a result, some investors are reluctant to buy Ecus.

The Commission will today issue strengthened proposals for Emu's legal framework.

The new proposals state that "every reference in a legal instrument to the Ecu" is replaced by the euro, at a rate of one to one - and note that this principle "shall be presumed" to apply irrespective of how a contract defines an Ecu.

As a further reassurance, the Commission is also proposing to introduce the legislation as early as next year in a manner that can be applied to all European Union countries - including those states that do not belong in the European monetary union.

The Commission's proposals will now be discussed by governments, which are expected to adopt the legal framework at the end of the year.

The Commission's move has helped reassure lawyers and investors. Mr Cliff Dammers of the International Primary Markets Association, an association of bond traders, said yesterday: "These proposals are something we are now comfortable with."

**FT WEATHER GUIDE**

**Europe today**  
The central Mediterranean will have severe weather with thunder storms accompanied by harsh winds, especially along the south-eastern coast of France where steady winds may reach up to 40mph. Cooler air will penetrate Europe from the west. There will be widespread rain on the border between this cool air and somewhat warmer air. Eastern Europe will be mainly fair with a moderate south-easterly breeze. The eastern Mediterranean will be sunny with afternoon temperatures near 25C. Western Europe, especially the British Isles, will have showers. Isolated hail is also possible.

**Five-day forecast**  
Thunder storms over the Mediterranean will weaken and slowly move east as they weaken. A prevailing westerly flow will cause cool air to spread over the continent. Frequent showers will occur in the cool air throughout the period.

**TODAY'S TEMPERATURES**

Maximum	Belling	sun 22	Cardiff	showers 12	Casablanca	showers 13	Faro	fair 22	Madrid	sun 18	Rangoon	fair 33
Minimum	Belgrade	cloudy 11	Chicago	cloudy 17	Colonia	rain 11	Frankfurt	rain 12	Mexico	sun 23	Sydney	cloudy 10
Abu Dhabi	Berlin	fair 20	Cairo	fair 27	Dallas	fair 29	Geneva	fair 12	Moscow	rain 12	Taipei	cloudy 11
Accra	Bombay	showers 20	Delhi	showers 20	Helsinki	fair 13	Glasgow	showers 12	Mumbai	rain 21	Tokyo	rain 12
Algiers	Buenos Aires	showers 20	Hong Kong	sun 31	Istanbul	sun 18	Hamburg	fair 13	Nairobi	cloudy 12	Washington	thund 21
Amsterdam	Calcutta	showers 20	Kuala Lumpur	sun 31	Jakarta	cloudy 31	Helsinki	fair 5	Sao Paulo	rain 18	Wellington	sun 21
Athens	Chengde	showers 20	Dubai	showers 18	Karachi	showers 15	Helsinki	fair 5	Singapore	showers 29	Whangpoo	showers 32
Atlanta	Chongqing	showers 20	Dublin	showers 12	Kuwait	sun 33	Helsinki	fair 5	Stockholm	drizz 9	Zurich	rain 12
Bahia	Colombo	showers 20	Dubrovnik	thund 20	L.A. Angeles	sun 22	Helsinki	fair 5	Strasbourg	rain 12	London	fair 24
Bangkok	Copenhagen	showers 20	Edinburgh	showers 11	Lisbon	sun 22	Helsinki	fair 5	Sydney	sun 19	Luxembourg	sun 26
Barcelona	Doha	sun 20	Edinburgh	showers 11	London	sun 22	Helsinki	fair 5	Taipei	showers 29	Lyons	sun 26
	Hankou	sun 20			Madrid	sun 22	Helsinki	fair 5	Taipei	showers 29	Manila	sun 26
	Hanoi	sun 20			Moscow	rain 12	Helsinki	fair 5	Taipei	showers 29	Naples	sun 26
	Hong Kong	sun 20			Mumbai	rain 12	Helsinki	fair 5	Taipei	showers 29	Nassau	sun 26
	Kobe	sun 20			Nairobi	cloudy 12	Helsinki	fair 5	Taipei	showers 29	Nice	sun 26
	Kuala Lumpur	sun 20			Naples	rain 12	Helsinki	fair 5	Taipei	showers 29	Osaka	sun 26
	London	sun 20			Nassau	rain 12	Helsinki	fair 5	Taipei	showers 29	Paris	sun 26
	Luxembourg	sun 20			New York	thund 19	Helsinki	fair 5	Taipei	showers 29	Perth	sun 26
	Madrid	sun 20			Nice	thund 19	Helsinki	fair 5	Taipei	showers 29	Prague	cloudy 18
	Manila	sun 20			Nicosia	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Moscow	rain 12			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Mumbai	rain 12			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Nairobi	cloudy 12			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Naples	rain 12			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Nassau	rain 12			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Nice	thund 19			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Osaka	sun 25			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Paris	sun 26			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Perth	sun 26			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Prague	cloudy 18			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Rangoon	fair 33			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Sydney	cloudy 10			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Taipei	showers 29			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Tokyo	rain 12			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Washington	thund 21			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Wellington	sun 21			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Whangpoo	showers 32			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		
	Zurich	rain 12			Osaka	sun 25	Helsinki	fair 5	Taipei	showers 29		

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

## THE LEX COLUMN Coupling up

And then there were four - big private US railroad groups, that is. Look at the hefty benefits promised from CSX's \$8bn agreed cash-and-share offer for Conrail, and the industry's merger mania makes powerful sense. From plugging their networks together CSX and Conrail expect cost savings and revenue improvements of \$550m or more a year; set that against their combined pre-tax income of \$1.4bn last year and the deal's commercial logic looks irresistible.

Moreover, their claims are plausible. For one thing, last year's combination of Burlington Northern and Santa Fe Pacific is doing a convincing job - so far - of putting the theoretical benefits of rail consolidation into practice. For another, to get past the necessary regulatory hurdles CSX and Conrail have every incentive to play the financial benefits of their plans down, not up.

The hurdles are real: if the scale of the companies' overlap is anything to go by, customers and competitors can be expected to make noisy objections. Yet CSX and Conrail can almost certainly buy opposition off - at a price, by offering competitors access to their network on favourable terms, as Southern Pacific Rail and Union Pacific did in their merger earlier this year.

A more intriguing question is whether Norfolk Southern, CSX and Conrail's main local competitor, could yet counter-bid for Conrail. For all its bluffing and puffing about consolidation yesterday, Norfolk pointedly left all its options open.

As a cost, which has the effect of depressing earnings. It would be more logical not merely to strip out these start-up losses but to view them as assets under construction.

What can News Corp do to boost its share price? One option is to give greater visibility to its investments. That will be one of the benefits of floating News Data Systems (NDS), its TV technology arm. If News Corp can really load the company up with \$250m-\$300m of debt and still be left with 80 per cent of a business worth \$650m, NDS will be revealed as a hidden jewel. As for investors, they could exploit the valuation anomaly by buying News Corp shares and shorting BskyB's.

News Corporation  
Investors are facing both ways with Mr Rupert Murdoch's News Corporation. They are pushing the shares of BskyB, its 40 per cent owned UK pay-television operation, to dizzy heights; but the share price of News Corp itself is in the doldrums. The effect is that the implied value of the rest of the business has fallen sharply from nearly \$1.8bn (US\$1.2bn) in the middle of last year to only \$1.1bn now.

The reason? News Corp is investing billions of dollars in an attempt to clone BskyB. Knocking News Corp for trying to replicate BskyB's success is bizarre. While Mr Murdoch may not have an easy ride in the US, Germany, Japan and Latin America, he seems better positioned than any other rival in global pay-TV. But investors do not see it this way. The investment News Corp is pouring into pay-TV is seen

FTSE Eurotrack 200:  
1827.0 (-14.6)

News Corp/BskyB  
News Corp's market capitalisation less value of its 40% BskyB stake (AS\$bn)



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Banco di Napoli  
The Italian government's decision to sell 60 per cent of Banco di Napoli is a welcome step. It accelerates much-needed consolidation in the banking sector and puts an end to state ownership of a bank that has been synonymous with pork-barrel politics. It also represents a speedy solution, by contrast with the French government's series of bungling bail-outs for Credit Lyonnais.

Of course, there is a price. Banco di Napoli's book value will be less than half its recent L.2,288bn (\$1.5bn) capital increase, and L10,000bn of doubtful loans are being switched into a new company, where the Italian treasury will cover losses on liquidation. But buyers should be prepared to pay goodwill. Banco di Napoli is by far the biggest bank in Southern Italy, where spreads between loans and deposits are over 300 basis points fatter than in the north. This reflects less competition and more



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OCSS GROUP  
and BT set mobile licence







## COMPANIES AND FINANCE: EUROPE / AFRICA

## Viag-BT poised to win German licence

By Michael Lindemann  
in Bonn

The fourth mobile phone licence in Germany, Europe's biggest telecoms market, is expected to be awarded to an alliance between Viag, the German industrial conglomerate, and British Telecommunications, after they emerged as the only applicants to submit a bid in time for yesterday's deadline.

A final decision by Germany's ministry of post and telecommunications is not expected until February 4

1997, but the licence for the Viag-BT alliance would be a foregone conclusion unless any surprise last-minute bidders emerged.

AT&T, the US operator, and Stet, the Italian telecoms group, are believed to be the only other companies to have considered submitting applications.

AT&T said yesterday, however, that it had not bid for the licence because it had been unable to find a "strong German partner". Hopes of an alliance with Debit, the telecoms subsidiary of Daimler-Benz, had come to

nothing, the company said. Industry executives, meanwhile, said Stet had not pursued its initial interest, in part because of the second stage of its privatisation next spring.

Viag and BT have said they would make the mobile licence the centrepiece of their assault on the German telecoms market and would begin operations early in 1998.

Viag forecast its mobile operations would break even in about 2003 on sales of about DM2bn (\$1.3bn). Viag and BT said they would

invest DM4bn in the German telecoms market over the next five years and hoped, eventually, to have a 20 per cent share of the mobile market.

The ministry for post and telecoms meanwhile declined to comment on the number of applicants for the fourth licence.

Details would only be published in February, the ministry said, because any prior information about the likely licence holder could lead to legal proceedings from E-Plus, the third mobile phone licence which is run

by a consortium headed by Veba and Thyssen, the Düsseldorf-based industrial conglomerates.

The E-Plus licence says that the fourth mobile phone operator can only begin operations in May 1997, four years after E-Plus started up, and foresees legal action for damages if the identity of the fourth operator is published before February 1997.

The two oldest mobile phone licences, known as D1 and D2, are operated by Deutsche Telekom and Mannesmann, the engineering and telecoms groups.

## Raisio profits fall in spite of sales rise

By Hugh Carnegie  
in Stockholm

Raisio, the Finnish food processor and chemicals group, yesterday reported a fall in eight-month pre-tax profits, from FM111m at the same stage last year to FM92.3m (\$20m), in spite of a 20 per cent increase in sales.

The group - best known for developing a margarine that cuts cholesterol intake - said it had been hit by falling margins between raw material prices in its food-stuffs and animal feed operations and finished product prices. Earnings per share dropped from FM4.84 to FM3.51.

But Raisio said profitability would improve towards the end of the year and predicted that full-year results would fall "just slightly short" of last year's FM140m.

Raisio postponed until next week a meeting with analysts at which it was to have detailed its strategy for developing Benecol, its revolutionary margarine.

The product's potential sparked a meteoric rise in Raisio's share price earlier this year, from FM62 at the turn of the year to a peak of FM339.90 in September, although it has slipped back in recent weeks.

Yesterday's results were in line with expectations and the shares rose FM7.00 to close at FM263.50.

Production of Benecol, which commands prices six times as high as regular margarine, is limited due to availability of the key raw material, plant sterols.

Sales are restricted to the Finnish market, and Raisio said that exports would not begin this year.

However, investors believe that Benecol will eventually become a big seller worldwide based on its health-enhancing qualities.

Raisio's core operations achieved a rise in sales in the first eight months from FM2bn to FM2.5bn.

## EUROPEAN NEWS DIGEST

## Italy details Banco di Napoli sell-off

Italy's centre-left government yesterday signalled its commitment to privatise banking by confirming the terms for the sell-off of the treasury's 60 per cent stake in the troubled Banco di Napoli before the end of the year. The decision to sell a majority stake in Banco di Napoli was leaked last week, but the terms for the divestment have only just been finalised.

Banking analysts said it would be difficult to fix a price tag. The treasury is committed to move some L10,000bn (\$8.6bn) of bad loans to Reviban, a shell company until now owned by the bank. The main attraction is Banco di Napoli's 18 per cent share of retail banking in southern Italy. Banks interested in bidding will be given until November 18 to contact the treasury, which has retained N.M. Rothschild as adviser. Formal bids are not due until December 20.

Banco di Napoli, the most important financial institution in southern Italy, incurred losses of L3,115bn in 1995, and this year's first-half results showed a further L674bn in pre-tax losses. However, a restructuring is in progress, including the sale of branches in northern Italy and a big reduction of its exposure on the inter-bank market.

The privatisation is linked directly to a L2,000bn capital injection from the treasury, which is in the process of being completed and will give the treasury close to 100 per cent of the shares.

Robert Graham, Rome  
Lex, Page 14

## Traub in talks with creditors

Traub, the leading German tool maker which is burdened with debts of about DM300m (\$202.7m), yesterday began talks with its creditors, saying it needed to find a way of waiving its old debts before new investors would buy stakes in the company. Under what is known in Germany as a *Vergleich* - similar to Chapter 11 proceedings in the US - a lawyer has been appointed to establish how much of Traub's debts can be paid back. For a *Vergleich* to work, agreement must be reached between all the company's creditors, including suppliers, about what percentage of the debts can be waived. Companies must normally have sufficient funds to pay back 35 per cent of their debts within 12 months.

Traub meanwhile said it was still talking to several German and foreign investors which are interested in taking stakes in the company once the question of the debts has been resolved.

If the *Vergleich* fails then bankruptcy is inevitable. Traub emphasised, however, that failure was extremely unlikely. The company's shares remained suspended yesterday but may resume trading today, the company said. Traub said it was talking to the federal German government, the government of Saxony - where Traub-Heckert is based - and the town of Chemnitz about a possible solution to the company's problems.

Traub has said that it has talked to 10 potential suitors, including the 600 Group, the UK's largest machine tool company.

Michael Lindemann, Bonn  
APX News, Zurich

Comments and press releases about international companies coverage can be sent by e-mail to [international.companies@ft.com](mailto:international.companies@ft.com).

## Roche reshuffles board with new appointment

By William Hall in Zurich

Mr Franz Humer, 50, a former chief operating officer of Glaxo, has been appointed chief operating officer of Roche Holding, the Swiss drugs company.

The move is likely to increase speculation that he is being groomed as the eventual successor to Mr Fritz Gerber, 67, who has been Roche chairman and chief executive since 1978.

Mr Humer, a Swiss national who spent 14 years with Glaxo, joined the Roche board in May 1995 as head of its pharmaceutical division, which accounts for two-thirds of Roche's sales and

more than three-quarters of its profits.

He is credited with reducing production and marketing costs, and will retain overall responsibility for pharmaceuticals in his new role as chief operating officer.

Mr Humer's promotion is part of a reshuffle of the Roche board, with younger directors moving into positions of power.

Mr Rolf Hänggi, 53, who retires next year as chief financial officer of Zurich insurance and who joined the Roche board in June, becomes a vice-chairman. He replaces Mr Lukas Hoffman, a member of the founding

family, who retired in June.

Mr Humer replaces Mr Andres Leuenberger, 58, on the three-man core committee (*Ausschuss*) of the group's executive committee. Mr Leuenberger will now concentrate on his role as a vice-chairman of Roche, the

Roche also announced yesterday that pharmaceutical sales in the first nine months had risen 12 per cent to SF7.6bn (\$6.07bn) compared with a 10 per cent growth in group sales to SF11.7bn.

Analysts were impressed by the acceleration in third-quarter sales and Roche's shares closed SF90 higher at SF19,705.

## PROFILE

## Roche

Market value: \$73.5bn Main listing: Switzerland

Historic P/E 22.3

Gross yield (1995) 0.7%

Earnings per share SF403

Current share price SF9,655

Share price relative to the SBC General

Earnings per share

relative to the SBC General

Earnings per share

relative to the SBC General

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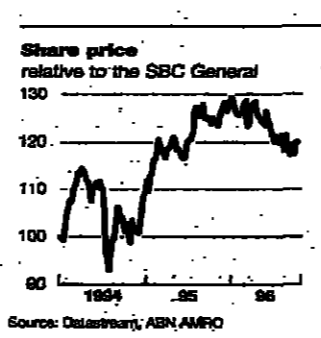
relative to the SBC General

Earnings per share

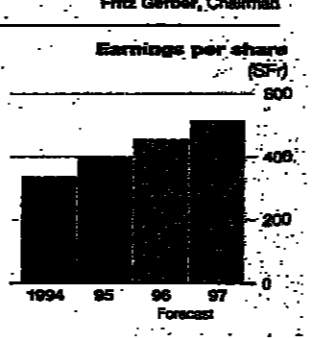
relative to the SBC General



Fritz Gerber, Chairman



Source: Datastream, ABN AMRO



## Anglovaal net earnings sharply lower in term

By Mark Ashurst in Johannesburg

Anglovaal, the South African mining group which is seeking shareholders' approval to streamline its traditional mining house structure, announced a sharp fall in after-tax profit for the September quarter.

The group said the results were not comparable with the preceding quarter, when income from an investment insurance policy at its Hartbeestfontein mine buoyed net earnings.

Operating profits for the three months to September 30 rose 21 per cent to R74.1m (\$18.3m), in spite of a mixed performance from individual

mines. Net earnings fell a by third from R74m to R49.1m.

Total gold production increased by 273kg to 8,447kg. The weaker rand helped boost the average gold price received to R54,200/kg, against R52,697 in the previous quarter. Annual wage increases exceeded cost savings at the group's Hartbeestfontein mine, causing a slight rise in average working costs.

Shareholders are due to vote next month on proposals to restructure the mining house into two consolidated investment vehicles. The plan would offer investors a pure play in gold by merging the gold interests into a single listing, Avgold.

Anglovaal's other interests - diamonds, ferrous and base metals, coal, industrial minerals, technical exploration and development - will be consolidated in a second group, Avmin. If approved, the new structure will take effect from December 2. Anglovaal will hold 67 per cent of Avmin, which will in turn hold 49.5 per cent of Avgold.

The restructuring will merge Hartbeestfontein, Loraine and Eastern Transvaal Consolidated. The controversial system of management contracts between head office and individual mines would be cancelled.

Critics of the lucrative contracts, which mining houses charge for

management and marketing services from head office, claim the system has prejudiced shareholders with stakes in individual mines.

The share exchange has been calculated by Anglovaal on the basis of the trading range of the shares in the 20 days to September 30. The group's estimate for the combined value of all existing ore bodies, prospects and management contracts, is R8.25bn.

Total assets were valued at R5.6bn; management contracts at gold mines at R81m, equivalent to five years of net fees after tax not discounted; and management contracts at the other minerals operations at R216m.

## A BUSY THIRD QUARTER

**Fletcher Challenge**  
£902 million  
Acquisition of Forestry Corporation of New Zealand Limited  
Co-advised by  
HSBC Samuel Montagu

**COURT CAVENDISH**  
£250 million  
Proposed merger with Takare  
Advised by  
HSBC Samuel Montagu

**Ascot Holdings Plc**  
£290 million  
Recommended offer for Suter  
Advised by  
HSBC Samuel Montagu

**McKeebnie**  
£36 million  
Acquisition of Dzus International Limited and placing  
Advised and underwritten by  
HSBC Samuel Montagu

**LIMIT**  
Recommended offer for Janson Green Holdings Limited  
Advised by  
HSBC Samuel Montagu

**HSBC Gibbs Holdings**  
Sale of Premium Credit Limited to Electra and management  
Advised by  
HSBC Samuel Montagu

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Marc Smeed, Sales Executive







COMPANIES AND FINANCE: EUROPE

Masters hooks Amer's MacGregor Golf arm

By Hugh Carnegie in Stockholm
Amer, the struggling Finnish sporting goods group, is to sell the loss-making MacGregor Golf Company to Masters International, of the UK, in an attempt to stem a series of poor results this year.



Bernhard Langer meets problems in the 1991 Ryder Cup implemented by Mr Roger Talermo, Amer chief executive since May, will produce the disposal is likely to be welcomed by investors hoping that a restructuring

HSN in German home shopping move

By Frederick Stuedemann in Munich
Home Shopping Network, the US television shopping channel, yesterday announced it had taken a 29 per cent stake in the German network, Home Order Television (Hot).

bring expertise and know-how to Hot, Mr Diller said. He said the teleshopping business involved "meshing" many different disciplines, from warehouse management and product delivery to entertainment-based presentation.

world of the teleshopping business". HSN, based in St Petersburg, Florida, was established in 1988 and currently has sales of \$1.1bn and some 500,000 customers which make at least one purchase a year.

have used the network, 30 per cent of them more than once. Mr Andreas Buchelhoefer, chief executive, said the network was expected to reach operational break-even in three years and would start making profit in five years.

To make way for the US company, the previous shareholdings at Hot were all reduced. Following the reorganisation, the largest stake (33 per cent) is held by Mr Thomas Kirch, son of the owner of the German media company, KirchGroup.

Cimpor offering meets with strong demand

By Peter Wise in Lisbon
A global offering of 45 per cent of Cimpor, Portugal's biggest cement company, raised \$115.5bn (\$746.8m) yesterday, marking a second important success for the socialist government's privatisation programme.

investors - 86,579 - applying for shares, priced at \$2.17, a 3.3 per cent discount on the market price. Total demand was 4.4 times greater than the 34.98m shares on offer, a similar level to an offering of Portugal Telecom that raised \$21.4bn in a similar offering.

Portugal expects to raise \$450bn from privatisations in 1996, more than in any previous year, and a similar amount in 1997. US institutions accounted for more than 40 per cent of the 20.6m shares sold in direct offer to international institutions, according to a member of the co-ordinating team, Morgan Stanley was global co-ordinator for the international offering, sup-

ported by UBS, Schroders and Salomon Brothers. Analysts responded positively to the pricing of what they considered a highly price sensitive offering. "A big institutions, who would have come in at a price of \$2.15, a share, were left behind," said a broker. "But overall the offer attracted a high level of top quality institutions."

Shares in Cimpor, Portugal's leading industrial stock, reached a high of \$2.35 yesterday, before slipping back to \$2.37 at the close, down \$3 from Monday's level. "The offer was priced at a good level to support the price of the stock in the future," said a Lisbon banker. The offering was made during a period of buoyant growth for the Lisbon stock exchange.

ISSUE OF £2,000,000,000
7% TREASURY STOCK 2001
INTEREST PAYABLE HALF-YEARLY ON 6 MAY AND 6 NOVEMBER FOR AUCTION ON A BID PRICE BASIS ON 22 OCTOBER 1996
PAYABLE IN FULL WITH APPLICATION
With a competitive bid With a non-competitive bid Price bid plus accrued interest £107 per £100 nominal of Stock

APPLICATION FORM
Complete Section 1 or 2, plus Sections 6 and 8. Sections 3, 4, 5 and 7 should also be completed where appropriate.
REGULATED FINANCIAL INSTITUTIONS ONLY
DETAILS OF APPLICANT(S)
REGISTRATION DETAILS
CAPITAL LETTERS PLEASE
FOR BANK OF ENGLAND USE



COMPANIES AND FINANCE: ASIA-PACIFIC

News Corp cautious on first quarter

By Nicky Tait in Adelaide

Mr Rupert Murdoch, chairman of the News Corporation, media and entertainment group, yesterday confirmed that the company expected to post a 20 per cent improvement in profits in 1996-97.

Mr Murdoch said News Corp would be "striving to make up any shortfall" in the first quarter to September. In the year to end-June, it reported profit after tax and abnormal of A\$1.02bn (US\$607.3m), down from A\$1.35bn last time.

Mr Murdoch said News Corp was "very confident we are now on top of the problems at Twentieth Century Fox". The bleakest picture was painted in Australia. Here, Mr Murdoch said, the newspaper operations were "suffering from the general malaise in advertising".

Mr Murdoch said News Corp expected to launch its "Sky" brand in the US, through American Sky Broadcasting, late in 1997. "If all goes according to plan, we will be in full launch mode this time next year," he said.

Similarly, in Japan, News planned to start a 12-channel service next year, and then have a 200-channel facility when it "migrates" to a new satellite in early 1998.

Sluggish demand hits profit at Daiei

By Gwen Robinson in Tokyo

Daiei, Japan's largest and one of its most aggressive retailers, has announced a 49.1 per cent decline in half-year earnings.

The result highlights the impact of continued sluggish household spending on the low to medium-range supermarket retail sector.

ASIA-PACIFIC NEWS DIGEST

KPN lifts TNT stake to 14.9%

KPN, the Dutch postal and telecoms group which is making a A\$2bn (US\$1.5bn) bid for Australia's TNT, yesterday announced it had acquired a further 5 per cent of its target.

A 19.9 per cent stake in TNT is held by Bankers Trust Australia, part of the US-based investment bank. BTA has said it views the offer as "on the low side", although it has not made any definitive comment on its plans for the stake.

MIM expands copper side

MIM Holdings, the Queensland-based metals group, is to spend A\$60m (US\$38.6m) on the expansion and modernisation of its copper refinery operations in Townsville. Capacity will be increased from 210,000 tonnes to 255,000 tonnes a year.

The upgrade at Townsville will take two years, and will leave the 37-year-old refinery focused on producing copper cathode. Production of copper rod will stop at the end of the year, resulting in at least 60 job losses.

Posco starts work on furnace

Pohang Iron & Steel (Posco) yesterday broke ground on a 3m-tonne blast furnace that will make the South Korean company the world's largest steelmaker once it is completed in 1999.

Total steel production in South Korea is expected to grow from 37m tonnes this year to 52m tonnes by 1999, making it the fourth-largest steel producer in the world, after the US, Japan and China.

Pressure on Taiwan Styrene

Taiwan Styrene Monomer said it was likely to lower its annual pre-tax profit forecast of T\$626m (US\$22.8m) if styrene monomer prices continued to fall.

HDFC bucks trend with 43% increase

By Tony Tassel in Bombay

HDFC also lifted its retail deposits by Rs1.12bn to Rs31.25bn, in spite of tight liquidity conditions and competition from other institutions and corporate bond issues.

Analysts with brokers SSKI Securities said HDFC was now on target to lift its net profit in the year to March 30 to Rs2.55bn from Rs1.95bn, as the institution traditionally made about 40 per cent of its earnings in the first half.

Shares in HDFC closed just Rs7 higher at Rs2,188 following the results. However the reaction to the results was limited by restrictions on foreign buying of the stock.

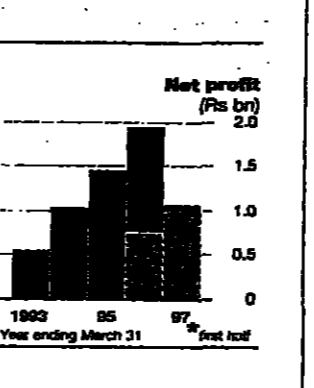
HDFC was voted the best managed company in India in a poll last year of institutional investors. Apart from providing housing finance, it also finances infrastructure

development and has a retail joint banking venture with NatWest Markets. In addition, it has an estate

PROFILE

HDFC

Table with 2 columns: Metric and Value. Metrics include Market value, Main listing, Gross yield, Current share price, and Share price relative to the BSE National Index.



agency joint venture with Colliers Jardine and a consumer finance company venture with GE Capital.

Ranbaxy shrugs off slowdown

By Tony Tassel

Ranbaxy Laboratories, a leading Indian pharmaceutical manufacturer, has lifted net profits by 21 per cent in the six months to September 30, in spite of a "slowdown" of domestic sales.

The company increased first-half net profit to Rs718m (\$20.1m) from Rs595m, as it continued to focus on developing exports and sales of "value-added" products.

While sales of bulk products fell 66 per cent, sales of value-added dosage forms rose 19 per cent and exports climbed 41 per cent. Overall sales rose 11 per cent to Rs2.67bn.

Dr Parvinder Singh, chairman, said there had been a "deceleration" of domestic sales, but that the company was now poised for sustainable growth.

He said the company had entered the UK market in August through products produced at its facilities at Cashel in Ireland.

Dr Singh said the company's first venture in China would complete its first full year in December. Indications were that it would report an operating surplus.

Analysts said the results were in line with forecasts, and the shares closed unchanged at Rs612.25.

Regional stock index for Singapore exchange

By James Kynge in Kuala Lumpur

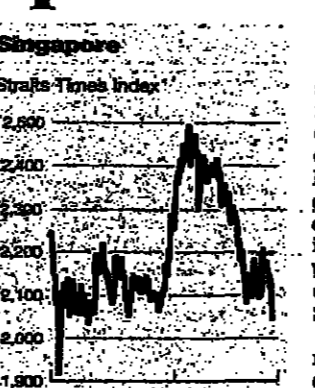
Singapore launched its first regional share index yesterday as part of a series of measures designed to enhance its position as one of Asia's leading centres for equities trade.

The Business Times Singapore Regional Index (SRI) comprises the stocks of 88 companies, local and foreign, which are profitable and have considerable operations in Singapore and the region.

Mr Richard Hu, finance minister, said the index would become a benchmark for the performance of Asian regional investment portfolios. It includes Taiwan's Acer Computer International, the Development Bank of Singapore, Jardine Matheson Holdings, Want Want Holdings and other well-known companies in fields such as manufacturing, shipyards, finance and telecoms.

The decision to launch the SRI was driven partly by the fact that many foreign companies have recently listed in Singapore, bringing the value of foreign companies to about 26 per cent of the market's capitalisation.

Economists said the move was also Singapore's latest initiative in a high-stakes contest with neighbouring



Malaysia to become south-east Asia's centre for regional equity trading. Malaysia's stock market has a larger capitalisation and greater liquidity than Singapore's, but it has only recently announced that it will allow foreign-based companies to list.

The SRI will also make Singapore more attractive to companies delisting from Hong Kong as the UK colony prepares to be handed back to China next year.

Economists say that the shares of Jardine Matheson, which delisted from Hong Kong two years ago, have suffered in Singapore because they have not been included in a main index. The SRI raises hopes of renewed interest and liquid-

ity in Jardine's stock.

In an indication of how serious Singapore is in promoting the index, foreign companies meeting certain criteria will be allowed to list their shares in Singapore dollars rather than in foreign currencies. The criteria include having more than 35 per cent of revenue, profits or expenses attributable to Singapore operations.

The government had been reluctant to allow Singapore dollar listings for fear of exposing the local currency to increased speculative dealing.

In other strategies to support the index, Mr Hu said that the Singapore International Monetary Exchange (Simex) would study the index's performance to evaluate the feasibility of introducing a futures contract based on it. He said six Singapore banks would jointly sponsor a unit trust to invest exclusively in SRI component stocks.

The announcements helped lift the Straits Times Industrials index yesterday from its lowest level this year. It closed at 2,060 points, up from 2,045 on Monday.

Market analysts, however, say the new index will not provide enduring support to a market beset by a gloomy economic fundamentals.

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COMPANIES AND FINANCE: THE AMERICAS

US banks improve in third quarter

By John Authers in New York

US Banks: 3rd quarter 1996

Table with columns: Bank, Net Income \$m, Earnings per share \$, Assets at Sept 30 \$bn. Rows include Chase Manhattan, Citicorp, NationsBank, First Chicago NBD, Bank of New York, Mellon Bank, Wells Fargo.

The largest US commercial banks yesterday unveiled third-quarter results slightly above analysts' predictions. Improvements in efficiency were registered across the sector, which has seen a wave of consolidation.

Mr Tom Hanley, banking analyst at UBS Securities, said: "All the earnings figures have come in a little ahead of expectations. We feel that the credit quality is in general good and improving, and the credit card losses look bearable."

Chase Manhattan, now the largest US bank following its merger earlier this year with Chemical Banking, announced earnings per share of \$1.83, one cent more than estimates.

banks - including Citicorp and NationsBank, the second and fourth largest - made heavy purchases of their own stock during the third quarter. Chase's efficiency ratio, expressing total non-interest expenses as a proportion of income, fell from 62 per cent for both banks in the equivalent quarter of last year, to 58 per cent.

The merger created costs of \$32m during the last quarter, while the number of employees fell to 87,838 from 72,896 at the beginning of the year.

Citicorp's results were well ahead of expectations, with earnings up 19 per cent from the year before to \$1.93 a share, excluding a charge for recapitalising the insurance fund for the savings and loan industry. The consensus forecast had been \$1.87.

Earnings per share were lifted by Citicorp's decision to repurchase 8.9m shares for \$766m. Analysts were also pleased by the bank's continued emphasis on consumer banking. Its credit card costs, closely watched, increased to \$550m, or 5.11 per cent of average managed loans, up from \$376m, or 3.7 per cent a year ago.

Bankruptcies accounted for 38 per cent of US bank card write-offs.

Citicorp refused to make predictions on the trend for credit card debts, but acknowledged that the rates of bankruptcies and delinquencies (where accounts are at least 90 days overdue) appeared to have reached highs. NationsBank, based in North Carolina, whose acquisition of Boatmen's Bancshares of St Louis for approximately \$5bn is due to be completed this quarter, announced an 18 per cent increase in net profits compared to the same quarter of 1995.

This was equivalent to \$2.12 a share, above analysts' expectations of \$2.05. Its efficiency ratio fell over the year from 56.67 per cent to 55.92 per cent.

It said it had continued its drive to manage capital better with a share buy-back programme and had expanded its investment banking operations, increasing its non-interest income by 14 per cent to \$896m compared to the year before.

Wells Fargo, the California-based bank which completed its acquisition of First Interstate earlier this year, said it had completed the conversion of its Californian customer base during the quarter. Its earnings per share, at \$3.23, were below consensus estimates of \$3.80.

Several other large commercial banks reported yesterday. They included Bank of New York, where earnings increased 6 per cent to \$248m compared to the same quarter of the year before. The bank continued to increase its specialisation in securities processing.

Mellon Bank, based in Pittsburgh, which acquired the Dreyfus fund management company in the last year, reported a 15 per cent increase in earnings per share to \$1.31, ahead of consensus estimate of \$1.29. First Chicago NBD, the product of a merger last year, came in marginally below earnings estimates at \$1.08 per share. The company said credit card charge-offs had stabilised during the quarter, and it announced that it would be repurchasing up to 40m shares over the next two to three years.



Jack Smith: GM 'still has work to do' for 5 per cent return

GM ahead of Wall St expectations at \$1.3bn

By Richard Waters in Detroit

General Motors, the biggest manufacturer in the US, took another step on the road to rebuilding its North American operations during the third quarter, with earnings which comfortably beat Wall Street's expectations.

With a strike in Canada beginning to force the company to idle some workers in the US, however, the final months of the year could yet provide a setback.

The improvement in the company's operations was flattered by an abnormally low tax rate of 2.8 per cent and a one off write-back of a reserve that added \$253m after tax. These contributed to total after-tax profits of \$1.3bn, or \$1.57 a share, compared with \$996m, or 39 cents, the year before.

have produced earnings of about 83 cents a share, said Mr Michael Losh, chief financial officer, still ahead of expectations. Mr Jack Smith, chairman, repeated earlier comments that the company "still has work to do" to achieve its target of a 5 per cent after-tax return on sales. The profit margin for the latest period, which is traditionally the industry's slowest quarter of the year, came to 2.1 per cent.

Most of the improvement from the previous year came in GM's core North American automotive business. This recorded pre-tax earnings of \$430m compared with a loss of \$185m, in spite of losing nearly 3 percentage points of market share.

GM vehicle deliveries in the US in the third quarter totalled 1,182,000 units, or 30.4 per cent of the US vehicle market, down from

1,235,000 units, or a 32.2 per cent share, in the third quarter of 1995. Revenues climbed 8 per cent and the company made headway in reducing its costs, Mr Losh said.

A turnaround in Europe, meanwhile, contributed to a rise in earnings from GM's overseas operations. With the European business recording a profit of \$75m compared with a loss of \$96m, the international side of the group registered after-tax profits of \$323m, up from \$111m.

The group's latest figures also included a 21 per cent increase in after-tax profits at General Motors Acceptance Corporation to \$307m, and a 1 per cent fall in earnings at Hughes Electronics, to \$253m.

GM's former subsidiary, EDS, was spun off as a separate company during the summer.

second quarter but 10 per cent higher than a year ago. Merrill's return on common equity was the strongest of the three, at 21.5 per cent - the sixth consecutive quarter it had exceeded 20 per cent. Mr Daniel Tully, chairman and chief executive officer, said Merrill has consolidated its strong position in investment banking this year.

The group's drive to increase the proportion of earnings from asset management appears to be bearing fruit: asset management revenues reached a record \$570m in the quarter, as total assets under management climbed to a new high of

\$213bn at the end of September. PaineWebber, the fourth largest retail brokerage, reported net earnings of 75 cents a share, down from 86 cents in the second quarter but up 12 per cent on the third quarter of 1995. Net income for the quarter was \$90.2m, down from \$92.2m in the second quarter. PaineWebber also noted a record level of assets under management, at \$294bn.

Donaldson, Lufkin and Jenrette reported earnings per share of 86 cents in the third quarter on net income of \$56.1m, down from \$1.18 in the previous quarter but up from 72 cents a year earlier.

PepsiCo slides as Coca-Cola rises 21%

By Richard Tomkins in New York

PepsiCo, the US soft drink and snack food company that has been struggling to compete with Coca-Cola in international markets, yesterday announced that net profits had slumped from \$617m to \$144m in the third quarter, in line with last month's warning. Earnings per share fell 77 per cent to 9 cents.

However, Coca-Cola also produced a less-than-satisfactory result, reporting a widely expected decline in third quarter revenues. After a jumble of one-time gains and charges announced earlier this month, net profits came out 21 per cent ahead, at \$967m. Earnings per share rose 22 per cent to 39 cents.

PepsiCo warned last month that a series of problems in its international soft drinks division would hit third-quarter profits. Yesterday it said one of the biggest factors was higher advertising and marketing expenditure that had not been matched by sales growth.

Despite growth in the emerging markets of China and India, international soft drink sales fell 9 per cent to \$944m. Even without a series of one-time charges totalling \$390m, the division turned in an operating loss of \$19m after an operating profit of \$115m a year ago.

In contrast, PepsiCo's US soft drink business did well, increasing operating profits 14 per cent to \$394m. The snack food division lifted US operating profits 10 per cent to \$319m and international operating profits 20 per cent to \$79m.

The restaurant division, however, was another weak spot: worldwide sales were down even with the comparable period's, but operating profits were 9 per cent down, mainly because of poor results from Pizza Hut's US operations.

Coca-Cola set the scene for a decline in revenues earlier this month when it said it had temporarily halted supplies to some international bottlers to help them cut their inventories and build up working capital. Yesterday it said this was one factor in a 5 per cent fall in revenues to \$4.66bn.

Another factor was poor weather in Europe which hit volumes in countries including the UK and Germany. As a result, third quarter volume rose only 1 per cent in Europe, compared with the 6 per cent of a year earlier.

Overall, Coca-Cola increased worldwide volume 6 per cent in the third quarter, a slowdown from recent trends. US volume was ahead 5 per cent.

Coca-Cola was off 8% in early trading at \$49.75. PepsiCo was up 2% at 29 1/2.

AMERICAS NEWS DIGEST Cost cuts aid 21% advance at Kodak

Eastman Kodak, the US photo imaging company, reported a 21 per cent increase in net income yesterday, driven by cost cuts and growth in its consumer imaging business. Shares in the company added 1 1/4 to \$79 after it reported earnings of \$410m, or \$1.22 a share, up from \$338m, or 99 cents, a year ago. The earnings growth came despite sales rising only 9 per cent to \$4.2bn.

Results were similar to those of the second quarter, when earnings rose 17 per cent on a 5 per cent increase in sales. Profit margins rose more than a percentage point last quarter as selling, general and administrative costs fell from 27.1 per cent of sales last year, to 26.9 per cent this time. That drop came despite increased advertising costs from Kodak's new Advantix camera and the summer Olympics.

Kodak said sales of the Advantix camera had exceeded expectations and had caused shortages that left the company scrambling to keep up with orders. Kodak's increase in sales was led by 13 per cent growth in its worldwide consumer products business, while the commercial division and products sold to professional photographers, grew by 5 per cent. Kodak's \$684m sale of its copier distribution business to Danka Business Systems, the UK office-equipment company, is expected to be completed this quarter.

Netscape in intranet launch

Netscape Communications yesterday responded to mounting competition from Microsoft with a package of new products for use on corporate intranets. The two-year-old company, which has achieved a greater than 80 per cent share of the market for Internet browser software, is now aiming at corporate intranets - private networks based on the same standards as the Internet.

Netscape said the intranet software market would be worth \$10bn in five years. Netscape's Communicator combines the multimedia features and appearance of a Web browser with electronic mail and groupware applications. It will cost \$49 and is scheduled for introduction in the first quarter of 1997. It incorporates e-mail, file sharing, group scheduling and audio software to enable phone calls via the Internet. Netscape software is used on 59 per cent of corporate intranets, according to a recent survey by Hambrecht & Quist, the San Francisco investment bank.

Mr Jim Barksdale, Netscape chief executive, also presented preliminary data from a new study by IDC, a market research group, suggesting that companies using Netscape intranet software are getting returns on investment of 1,000 to 1,700 per cent, the highest level IDC has calculated for new technology.

Weyerhaeuser declines 57%

Earnings at Weyerhaeuser, the US pulp and paper company, dropped 57 per cent in the third quarter as the company suffered from declining paper prices. Weyerhaeuser said lumber prices were strong and it was beginning to see some improvement in pulp prices.

Earnings were \$119.7m, or 60 cents a share, compared with \$279.5m, or \$1.57 (excluding a special charge) in the comparable period last year. Sales fell 6 per cent to \$2.9bn. Earnings were helped by a 7 per cent improvement in operating earnings in the timberland and wood products business to \$210m, which helped offset some of the 78 per cent decline in the company's pulp, paper and packaging business. Shares in the company, which had risen nearly 3 per cent since the middle of last week, slipped 3 1/2 to \$45 1/2 in morning trade although Weyerhaeuser's results were about 8 cents ahead of analysts' expectations.

Caterpillar ahead and upbeat

Caterpillar, the Peoria, Illinois-based heavy equipment maker, reported profits up 46 per cent for the third quarter quarter ended September 30, and forecast a record year, with further growth in 1997. "We continue to see opportunities for solid growth in the vast majority of global markets we serve, particularly in the fast-growing developing nations where infrastructure needs are greatest," Mr Donald Fites, Caterpillar chairman, said.

Wall Street welcomed the news, driving Caterpillar's shares \$2 higher at \$76 1/2 in early trading, despite the fact that the third-quarter advance trailed the second term result. In the third quarter, Caterpillar earned \$10m, or \$1.61 a share, compared with \$213m, or \$1.07, in the third quarter last year. Sales rose from \$3.61bn a year ago to \$3.8bn this time.

For the nine months, Caterpillar earned \$906m, or \$5.08 a share, on sales of \$11.5bn, compared with \$836m, or \$4.19, on sales of \$11.4bn last year. Laurie Morse, Chicago

US brokerages fare better than forecast

By Tracy Corrigan in New York

Three US brokerage houses reported a drop in third quarter earnings per share compared with an exceptionally strong second quarter, but the fall was smaller than analysts had anticipated.

The three - Merrill Lynch, PaineWebber Group and Donaldson, Lufkin and Jenrette - all showed an improvement on the same period a year ago. The better than expected earnings lifted DLJ's share price 4% to \$33 1/2 in early trading, but Merrill's shares slipped 3% to \$68 1/2 after a strong run-up earlier this month.

PaineWebber's shares were up 3% at \$24 1/2. The slip in the third quarter, which has also hit US investment banks, reflects the more difficult market conditions of the summer months. The weakness of the US stock market, in particular, hit the companies' equities business. However, the more favourable September environment has persisted into the fourth quarter.

Merrill Lynch, the largest US brokerage, which also provides investment banking services worldwide, reported fully diluted earnings per share of \$1.88, down from \$2.19 in the

second quarter but 10 per cent higher than a year ago. Merrill's return on common equity was the strongest of the three, at 21.5 per cent - the sixth consecutive quarter it had exceeded 20 per cent. Mr Daniel Tully, chairman and chief executive officer, said Merrill has consolidated its strong position in investment banking this year.

The group's drive to increase the proportion of earnings from asset management appears to be bearing fruit: asset management revenues reached a record \$570m in the quarter, as total assets under management climbed to a new high of

\$213bn at the end of September. PaineWebber, the fourth largest retail brokerage, reported net earnings of 75 cents a share, down from 86 cents in the second quarter but up 12 per cent on the third quarter of 1995. Net income for the quarter was \$90.2m, down from \$92.2m in the second quarter. PaineWebber also noted a record level of assets under management, at \$294bn.

Donaldson, Lufkin and Jenrette reported earnings per share of 86 cents in the third quarter on net income of \$56.1m, down from \$1.18 in the previous quarter but up from 72 cents a year earlier.

Montedison advertisement including notice of meeting of stockholders and financial data table.

Table with columns: US share, purchase, selling, and other financial metrics.

FlightSafety is latest Buffett bet

By Tracy Corrigan

America's best-known long-term investor, Mr Warren Buffett, yesterday picked his latest stock. His investment vehicle Berkshire Hathaway will merge with FlightSafety International, a Long Island-based company which provides training for pilots and maintenance technicians at centres in the US, Canada and France. The merger values FlightSafety at about \$1.5bn.

The investment was described by analysts as bearing many of the traditional Buffett hallmarks - it has a strong franchise, good growth prospects and generates cash.

It is also a high-margin business, which has historically had operating margins of about 35 per cent, according to analysts.

Under the terms of the merger, FlightSafety shareholders can receive either \$50 in cash or \$48 in Class A or Class B Berkshire shares. FlightSafety's 78-year-old chairman and president, Mr A.L. Ueltschi, who with his

family owns 37 per cent of the company, said he would elect to take Berkshire stock, which he said he considers "one of the finest investments I could make". Mr Buffett was equally complimentary. "FlightSafety is a business that I like, run by a man I like and admire," he said.

Mr Howard Rubel, an analyst at Goldman Sachs, believed Mr Buffett had spotted an attractive opportunity. "He has acquired a company on the cusp of a turn," said Mr Rubel, citing

the shortage of pilots, which is creating growing demand for training. Analysts said the price paid by Mr Buffett looked reasonable. "On the basis of both cash flow and earnings, [the price] is attractive," said Mr Rubel. The price is about 15 times next year's earnings forecast.

Mr Lawrence Hickey, an analyst at First Analysis, said that FlightSafety had a dominant market position, with about 180 flight simulators, six times as many as its nearest rival.

Intel stock at record after results

By Louise Kehoe in San Francisco

Shares in Intel, the world's largest semiconductor manufacturer, continued to reach new highs yesterday after the company surprised Wall Street by reporting a 41 per cent jump in third-quarter earnings.

Net earnings for the quarter to September 28 were \$1.31bn or \$1.48 a share, against \$931m, or \$1.05 a share, a year ago. Analysts had expected earnings of about \$1.25 a share.

Earnings per share rose from \$3.06 to \$3.67. Intel announced its results after the close of New York trading on Monday, but yesterday investors pushed its shares to an all-time high of \$110 1/2 in early trading - up from less than \$50 in January. Its market capitalisation

now stands at \$97.3bn, making it the world's highest-valued technology company. Strong demand for Intel's microprocessor chips, the "brains" of personal computers, drove revenues for the quarter to \$5.1bn, a 23 per cent increase from \$4.2bn in the same period last year.

Broad acceptance of computers based on Intel's latest Pentium and Pentium Pro chips produced a stronger third quarter than the company had expected, said Mr Andrew Grove, chief executive.

Intel declined to comment on the outlook for the current and subsequent quarters, citing concerns about the potential for shareholder lawsuits after a proposed change in California securities laws. Californians will vote on

the proposed law, known as Proposition 211, in next month's presidential ballot. If passed, the measure could significantly increase companies' exposure to "frivolous" stockholder law suits, Intel said.

The company reported that its "book to bill ratio" - the value of new orders versus the value of shipments - exceeded 1.0 in the third quarter and that orders set a new company record, suggesting continued strong growth in the current quarter.

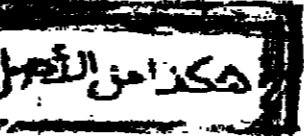
Reviewing third-quarter results, Intel said its performance was driven by the strong demand in the Americas and Asia-Pacific regions.

Sales in Europe and Japan were flat compared with second quarter levels. The gross margin for the third quarter was 57 per cent

of revenues, well above the company's target range of 48-52 per cent. The increase reflected a favourable mix of products sold with a higher proportion of microprocessors than PC circuit boards.

Unit shipments of microprocessors and related PC chip sets reached new records during the quarter. Total expenses rose 31 per cent, the company said. Increases included higher spending on product and process technology development, higher marketing costs and an expansion in the workforce to 46,000 worldwide, an increase of 6,000 over the past year.

Revenues for the first nine months rose 24 per cent to \$14.41bn from \$11.62bn. Net income grew 20 per cent to \$3.25bn from \$2.7bn.





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DIGEST

Income aid 21% at Kodak

no imaging company, Kodak's income yesterday, driven by consumer imaging business, rose to \$1.12 a share after it rose to \$1.02 a share in the second quarter. The earnings growth rate of 5 per cent was more than a percentage point higher than a percentage point last year, to 26.9 per cent, despite increased average camera and the

advantage camera had caused shortages that left the company with a 10 per cent growth in sales in the second quarter, which includes its sales to professional photographers. Kodak's 1996 revenue is expected to be \$10.5 billion, up from \$9.5 billion last year.

Intranet launch

Microsoft responded in a letter to the company's intranet. The company has achieved a major milestone for intranet browser standards as the Internet software market grows. Netscape's Communicator features and appearance are similar and proprietary. The company is scheduled for a launch in 1997. It is now a leading provider of audio and video services. Netscape's intranet browser is expected to be a major competitor to the Sun's Java.

Price declines 57%

The price of the company's shares fell 57% in the second quarter. The company's revenue rose 10% in the second quarter, but its earnings fell 57%. The company's revenue rose 10% in the second quarter, but its earnings fell 57%. The company's revenue rose 10% in the second quarter, but its earnings fell 57%.

Head and upper

The head and upper body of the company's employees are the focus of the company's new initiative. The company's new initiative is focused on the head and upper body of its employees. The company's new initiative is focused on the head and upper body of its employees.

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# invented telephone.

(ALSO transistor, laser, Telstar satellite, fibre-optic cable, cellular).

Have won awards. (Nobel etc.)

Specialise in making things that make communications work.

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Contact Lucent Technologies (the former network systems, business communications systems and microelectronics divisions of AT&T, plus Bell Labs).

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We make the things that make communications work.™







COMPANIES AND FINANCE: UK

Barclays merges asset management

By John Gapper, Banking Editor
Barclays yesterday took a further step towards managing money using new technology when it announced the merger of its two institutional asset management arms...

Barclays Global Investors. Mr Martin Taylor, Barclays' chief executive, has signalled an increased emphasis on fund management in the bank.

The senior management of BZW Barclays Global Investors, an asset manager based in San Francisco which uses quantitative techniques such as indexation, is to take control of the combined operation, employing 1,400 people.

executives are to be Ms Patricia Dunn and Mr Lindsay Tomlinson. The combined firm will have £230bn of assets under management.

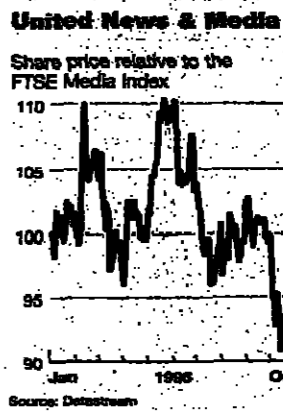
on a vast quantity of data," Mr Tomlinson said. The computer model would take into account fund manager's preferences, as well as changes in analysts' recommendations and share trading data.

Nynex breaks off talks on merger

By Raymond Snoddy
Nynex CableComms, the UK's second-largest cable group, has broken off merger talks with Telewest...

LEX COMMENT
Utd/Blenheim

In the end, it took the intervention of a helpful third party, Dutch publishing group VNU, to convince United News & Media of the extent of its affections for exhibitions group Blenheim...



Israeli group in flotation

By Jane Martinson
Three former members of the Israeli defence force will each be worth £20m (£31.2m) if their software company is successfully floated on the UK's Alternative Investment Market on Friday.

ALEA aims for Russian lottery

By Raymond Snoddy
ALEA, a company backed by Mr Elliott Bernard the property tycoon and Mr Terry Robinson, the former Lomro executive, plans an AIM listing via a placement to raise \$32.5m (\$50.7m) to launch an on-line lottery in Russia.

although three other licences have been granted it expects to be the first on-line lottery inside Russia.

The Russian lottery is owned 80 per cent by ALEA with the rest held by a charitable organisation, the Russian Committee for the Protection of Peace.

developer and operator of lottery systems. New investors will own the remainder.

Superscape signs licensing deal

by John Hamilton
The announcement of Superscape VR's licensing and distribution deal with Microsoft lifted shares in the 3D web browser developer by 16p to 567½p.

Under the deal, Viscache, the company's virtual reality browsing software, is included from yesterday in the Internet Explorer kit, distributed with Windows 95.

developing VR demonstrations, including the computerised history of Stonehenge in collaboration with Intel.

It has agreements and partnerships with, among others, IBM and Silicon Graphics and is owed £1.5m from a licensing agreement with Northern Telecom, which has been building a VR training programme.

RESULTS

Table with columns: Turnover (£m), Pre-tax profit (£m), EPS (p), Dividends, Date of payment, Corresponding dividend, Total for year, Total last year. Rows include Root (Nynex), Balfour Beatty, MWS, Superscape VR, The Rank, Wardslaw, Investment Trusts, Henderson, London & Leamington, and Walsby & Co.

Figures in brackets are for corresponding period. \*Restated. \*British currency. After exceptional charge. †On increased capital. \*Comparative restated. ‡Second interim. †makes 3p (2.9p) to date. ‡Already announced. †Comparative for 64 weeks.

Pearson in talks for MCA book arm

By Raymond Snoddy in London and Christopher Parkes in Los Angeles

Mr Fred Salerno, the parent's vice-president for finance and business development, told Telewest on Monday the company did not want to go ahead with a deal. Nynex wanted time to hold talks with other parties, including, it is believed, Mercury Communications, the Cable and Wireless offshoot. Mercury has been involved in the British cable industry from the outset, but it would be a significant departure if it were to buy a large cable group such as Nynex.

ary backlog. By contrast, Putnam Berkley specialises in popular publishing and currently has several titles on the US best-seller lists. Although Pearson bought HarperCollins Educational publishing earlier this year from News Corp for \$580m, there has been speculation that it might withdraw from general trade publishing because of low margins and intense competition. However, the recent decision to appoint Mr Michael Lynton, a former Disney executive, as new chief executive for Penguin, and these negotiations, may indicate it has decided instead to strengthen general publishing.

NOTICE OF EARLY REDEMPTION
SWEDBANK (SPARBANKEN SVERIGE AB (publ))
formerly known as SWEDBANK (SPARBANKERNAS BANK)
USD 250,000,000 Floating Rate Notes due 1998

WARRANTS TO PURCHASE COMMON STOCK OF MINNESOTA MINING AND MANUFACTURING COMPANY
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HongkongBank
The Hongkong and Shanghai Banking Corporation Limited
U.S. \$400,000,000 PRIMARY CAPITAL UNDATED FLOATING RATE NOTES (THIRD SERIES)

USD 10,000,000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE
SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED
SERIE N°378/96-10, TR1

NOTICE TO BONDHOLDERS
House of Investments (Cayman Islands) Limited
House of Investments, Inc.
US\$ 30,000,000 4% Guaranteed Convertible Bonds due 2001



INTERNATIONAL CAPITAL MARKETS

EIB, World Bank tap zero-coupon sector

INTERNATIONAL BONDS By Semer Iskandar

The two best-known triple-A rated supranational issuers yesterday competed for Italian retail investors' money with zero-coupon bonds...

"With so many outstanding 30-year zeros, we felt we could offer a better deal in the 20-year area," said a syndicate manager at Deutsche Morgan Grenfell in Frankfurt...

continuing strong performance of Italian government bonds against other European markets, as well as the lira's unrelenting appreciation...

New international bond issues

Table with columns: Borrower, Amount, Coupon, Price, Maturity, Fee, Spread, Book-name. Lists various international bond issues from Europe, Asia, and Latin America.

First terms, non-callable unless stated. Yield spread over relevant government bond at launch supplied by lead manager. \*Unlimited, 5% with equity warrants. †Floating-rate note. ‡Semi-annual coupon. R: Read re-offer price; fees shown at re-offer level.

placed among UK institutional investors - and a minority of continental European accounts - according to a syndicate manager at Merrill Lynch...

CAPITAL MARKETS NEWS DIGEST

Flexible options on individual shares

The American Stock Exchange and the Chicago Board Options Exchange will introduce flexible options on the shares of 26 of the most actively-traded companies in the US, starting October 24...

Prices firm on signs of Japanese buying

GOVERNMENT BONDS

By Richard Lapper in London and Lisa Bransten in New York Government bond markets firmed yesterday amid indications that flows of Japanese capital to overseas markets are increasing...

likely to match the record level of ¥4,200bn achieved in the fourth quarter of 1995. Since the start of this month - the beginning of their financial half-year - Japanese institutions have increased the weightings of foreign bonds in their portfolios...

The French market again outperformed, with the German 10-year yield spread over France rising by 1 basis point to 5 points. Signs that the French economy is growing more slowly than Germany's have contributed to the recent "decoupling" between the markets...

High-yielding European bonds gained ground earlier in the day on the back of dollar strength, but fell back in the afternoon. In the cash market, Spanish and Italian 10-year yields were unchanged at 170 and 232 basis points, respectively...

The strength of sterling was cited as the main reason for the rise in the gilts markets, with the December long gilt rising about 11 ticks to 98.24, before losing ground in after-hours automated pit trading.

The placement process was helped by the Finland's recent decision to join the ERM, with dealers reporting widespread demand from Scandinavia, but also from Germany and the UK.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS table with columns: Country, Coupon, Rate, Price, Yield, Week ago, Month ago. Lists prices for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury, and ECU.

Table for BUND FUTURES OPTIONS (LIFFE) and ITALY NATIONAL ITALIAN GOVT. BOND (BTF) FUTURES (LIFFE). Includes columns for price, change, and open interest.

FTSE Actuaries Govt. Securities table with columns: Price indices, Tse, Days, Accrued, and yield. Lists various government securities and their yields.

UK indices table with columns: Index name, Oct 15, Oct 14, Oct 15, Oct 14, Oct 15, Oct 14. Lists indices like FTSE 100, FTSE 250, and FTSE 1000.

US INTEREST RATES

Table showing Treasury Bills and Bond Yields for various maturities (1 month, 3 months, 6 months, 1 year, 2 years, 3 years, 5 years).

BOND FUTURES AND OPTIONS

Table for FRANCE NATIONAL FRENCH BOND FUTURES (MATIF) and LONG TERM FRENCH BOND OPTIONS (MATIF). Includes columns for price, change, and open interest.

Table for UK NATIONAL UK GILT FUTURES (LIFFE) and LONG GILT FUTURES OPTIONS (LIFFE). Includes columns for price, change, and open interest.

FT/ISMA INTERNATIONAL BOND SERVICE

Table listing various international bonds with columns: Issued, Bid, Offer, Ctg, Yield. Includes US Dollar Strrights, Swiss Franc Strrights, and other international issues.

Glit Edged Activity Indices

Table showing Glit Edged Activity Indices for various countries and currencies, including UK, France, Germany, and others.

GERMANY NATIONAL GERMAN BUND FUTURES (LIFFE)

Table for Germany National German Bund Futures (LIFFE) with columns for price, change, and open interest.

JAPAN NATIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE)

Table for Japan National Long Term Japanese Govt. Bond Futures (LIFFE) with columns for price, change, and open interest.

Other Fixed Interest

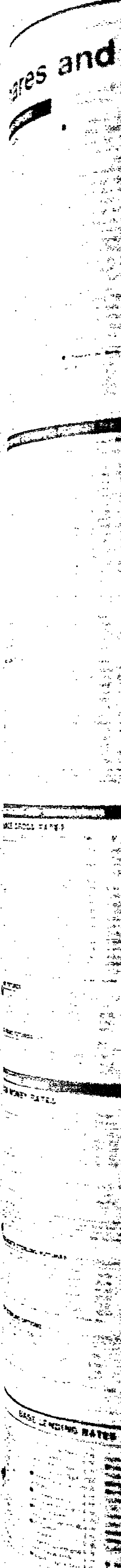
Table for Other Fixed Interest with columns: Issued, Bid, Offer, Ctg, Yield. Lists various international bonds from Australia, Canada, Denmark, etc.

CONVERTIBLE BONDS

Table for Convertible Bonds with columns: Issued, Bid, Offer, Ctg, Yield. Lists various convertible bonds from Australia, Canada, Denmark, etc.

Table for UK Gilts Prices with columns: Notes, Yield, Price, 52-week, 100. Includes data for various UK government bonds.

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CURRENCIES AND MONEY

Shares and oil boost dollar and pound

MARKETS REPORT

By Simon Kuper

The dollar peaked close to a 39-month high against the yen yesterday and sterling edged against the D-Mark...

Currency strategists said yesterday that the overriding focus in the market at present was for the D-Mark block of currencies to remain relatively weak...

Bundesbank can say what they want, but they're not in charge. Secondly, the markets believe that most Bundesbank directors are happy to see the D-Mark depreciate further against the dollar...

Against the D-Mark (DM per \$) 1.52 1.50 1.48 1.46 Jul 1996 Oct Source: Deutscher

against the D-Mark for the last month and a half. Analysts put the sudden momentum down to lack of investor concern about next month's US presidential elections...

WORLD INTEREST RATES

Table with columns: MONEY RATES, October 15, Over night, One month, Three months, Six months, One year, Lomb. inter., Dis. rate, Repo rate. Rows include Belgium, France, Germany, Ireland, Italy, Netherlands, Switzerland, US, Japan, UK.

Table with columns: EURO CURRENCY INTEREST RATES, Oct 15, term, notice, month, month, Six months, One year. Rows include Belgium, Denmark, D-Mark, Dutch Guilder, French Franc, Portuguese Esc, Spanish Peseta, Sterling, Swiss Franc, Can. Dollar, US Dollar, Italian Lira, Yen.

Table with columns: EURO CURRENCY INTEREST RATES, Oct 15, term, notice, month, month, Six months, One year. Rows include Dec, Jan, Mar, Jun, Sep.

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Oct 15, Closing mid-point, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, Bank of England. Rows include Europe, Argentina, Brazil, Canada, Mexico, USA, Pacific/Middle East/Africa, Australia, Hong Kong, India, Israel, Japan, Malaysia, New Zealand, Philippines, Saudi Arabia, Singapore, South Africa, South Korea, Taiwan, Thailand.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Oct 15, Closing mid-point, Change on day, Bid/offer spread, Day's mid, One month, Three months, One year, J.P. Morgan. Rows include Europe, Argentina, Brazil, Canada, Mexico, USA, Pacific/Middle East/Africa, Australia, Hong Kong, India, Israel, Japan, Malaysia, New Zealand, Philippines, Saudi Arabia, Singapore, South Africa, South Korea, Taiwan, Thailand.

CROSS RATES AND DERIVATIVES

Table with columns: EXCHANGE CROSS RATES, Oct 15, BFX, DKF, FFR, DM, L, FI, Nkr, Sfr, E, CS, S, Y, Escu. Rows include Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Canada, Danish Krone, French Franc, Norwegian Krone, and Swedish Kronor.

JAPANESE YEN FUTURES (MM) Yen 12.5 per Yen 100

Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int. Rows include Dec, Mar, Jun.

STERLING FUTURES (MM) £25,500 per £100

Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int. Rows include Dec, Mar, Jun.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Oct 15, Ecu. rate, Rate against ECU, Change on day, % +/- from % spread, Div. yield. Rows include Ireland, Finland, Portugal, Spain, Netherlands, Belgium, Austria, Germany, Denmark, France.

NON ERM MEMBERS

Table with columns: Greece, Italy, UK. Rows include Greece, Italy, UK.

THREE MONTH STERLING FUTURES (LFF) £500,000 points of 100%

Table with columns: Dec, Mar, Jun, Open, Settle price, Change, High, Low, Est. vol, Open Int. Rows include Dec, Mar, Jun.

THREE MONTH EURO-DOLLAR (MM) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int. Rows include Dec, Mar, Jun.

US TREASURY BILL FUTURES (MM) \$1m per 100%

Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int. Rows include Dec, Mar, Jun.

THREE MONTH EURO-DOLLAR (MM) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int. Rows include Dec, Mar, Jun.

THREE MONTH EURO-DOLLAR (MM) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int. Rows include Dec, Mar, Jun.

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Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int. Rows include Dec, Mar, Jun.

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Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int. Rows include Dec, Mar, Jun.

THREE MONTH EURO-DOLLAR (MM) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Open, Last, Change, High, Low, Est. vol, Open Int. Rows include Dec, Mar, Jun.

UK INTEREST RATES

LONDON MONEY RATES

Table with columns: Oct 15, Over-night, 7 days notice, One month, Three months, Six months, One year. Rows include Sterling, Sterling CDs, Treasury Bills, Bank bills, Local authority debts, Discount Market.

UK clearing bank base lending rate 5% per cent from June 6, 1996

Table with columns: Up to 1-3 months, 3-6 months, 6-9 months, 9-12 months. Rows include Up to 1-3 months, 3-6 months, 6-9 months, 9-12 months.

BASE LENDING RATES

Table with columns: % Base lending rates for various banks and institutions including Adam & Company, Allied Irish Bank, Bank of America, etc.

UK MARKET

UK clearing bank base lending rate 5% per cent from June 6, 1996. Up to 1-3 months, 3-6 months, 6-9 months, 9-12 months.

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COMMODITIES AND AGRICULTURE

Concern over heating oil supplies as prices soar

By Deborah Hargreaves
Europe and the US could face a crisis this winter over heating oil supplies as prices soar to post-Gulf war highs and stocks plummet to their lowest level ever.

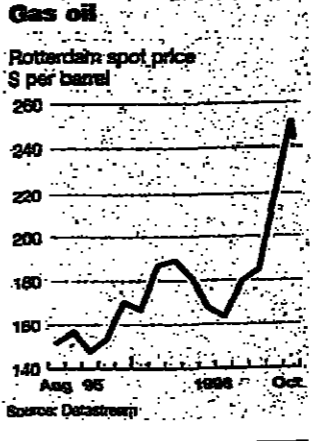
Texas. "And there is some reason to worry. The situation is precarious and a cold winter will lead to a scramble for stocks."
Gas oil prices on the Rotterdam market have risen by 65 per cent in the past year to \$244 a tonne this week.

"This is a market that usually moves by about \$20 a tonne over the winter and now it's taken off," said Mr Lindsay Horn, executive director, energy derivatives at Lehman Bros in London.

the opposite of the normal situation in the commodities markets. High "spot" prices have further discouraged stock-building.

In recent years, oil companies have tried to reduce their stocks in crude oil and products such as gas oil to cut costs, but this has left the market vulnerable to a surge in demand.

In the European Union, a change in specifications of diesel fuel for transport to reduce sulphur, introduced by the European Commission at the beginning of October, has put further pressure on stocks.



Pepper futures exchange for India

By Tony Tassell in Bombay
An international pepper futures exchange is expected to start operations in January at Cochin in Kerala state, southern India.

The Cochin International Commodity Exchange, located in the heart of the historic Malabar Coast spice producing district, will be the second exchange in the world, after Kuala Lumpur, to trade international futures contracts in black pepper.

The move marks a return to international futures trading in India. Until the second world war, India had one of the largest commodities futures exchanges in the world, with active trading in such products as cotton, mustard seed, castor seed, wheat and bullion.

Initially, the Cochin futures exchange will focus on black pepper - but bourse officials hope to expand trade to other commodities produced in the south of India, such as coffee, turmeric and ginger.

Table titled 'LIVE WAREHOUSE STOCKS' showing prices for Aluminum, Aluminum alloy, Copper, Lead, Zinc, Tin, and Tin. Prices are listed in US dollars and Indian Rupees.

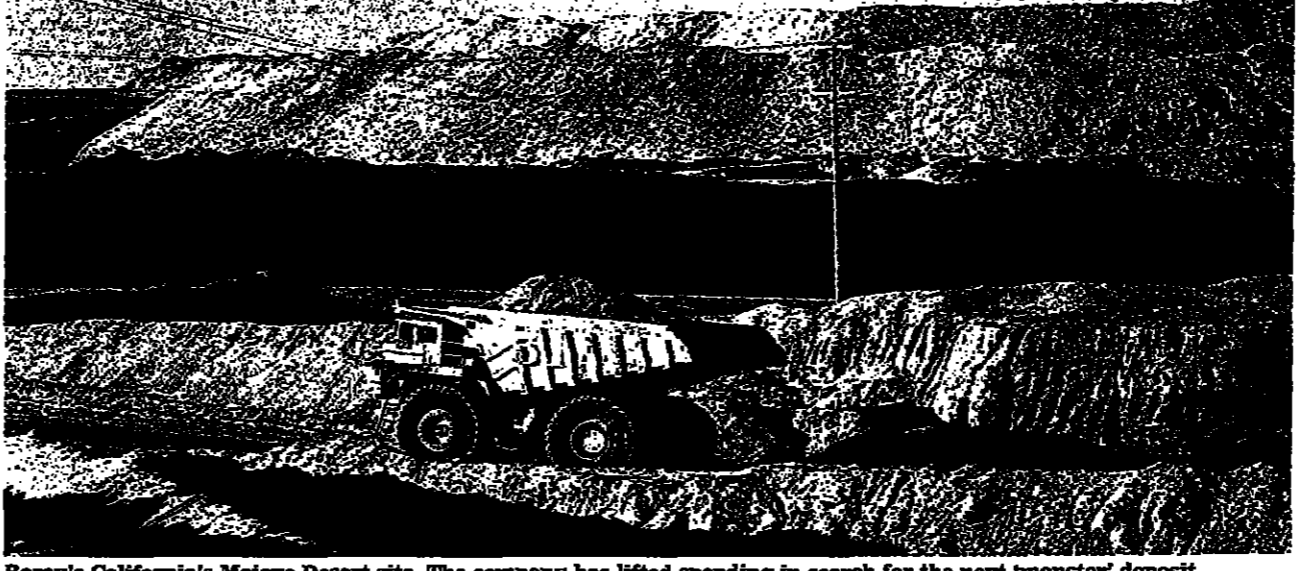
Brent blend breaks \$25

MARKETS REPORT
By Robert Corzine and Deborah Hargreaves
Oil prices briefly broke through an important psychological barrier yesterday as the price of Brent blend for November delivery, the global benchmark, hit \$25.06 a barrel, yet another post-Gulf war high.

verters. Demand from electronics users has dropped this year because the industry is over-stocked and Russia has continued its policy of selling its stockpile, which has kept the market comfortably supplied with metal.

Borax steps up search for new deposit

By Kenneth Gooding in California
Borax, one of the biggest cash generators within RTZ-CRA, the Anglo-Australian mining group, has stepped up its search for a replacement for its borate deposit in California's Mojave Desert.



Borax's California's Mojave Desert site. The company has lifted spending in search for the next "monster" deposit

Borates are used in hundreds of products and processes - from cookware and medicine to nuclear waste storage and space exploration. The biggest uses are in glass production, detergents, agriculture, and enamel and ceramic glazes.

Mr White-Thomson said he thought that the next "monster" deposit, similar to the one at Boron, was most likely to be found either in California or Mexico.

He said Borax focused on the problem after a small Canadian company discovered the huge Volsey's Bay nickel deposit in Labrador.

cannot expect to boost market share substantially, so is spreading its sales efforts to new markets. Sales in China and Russia have tripled. It is also searching for new applications for borates.

COMMODITIES PRICES

BASE METALS

Table of London Metal Exchange prices for various metals including Aluminum, Lead, Zinc, Tin, and Nickel.

Precious Metals continued

Table of Gold COMEX and Platinum NYMEX prices.

GRAINS AND OIL SEEDS

Table of Wheat, Maize, Soyabean, and Barley prices.

SOFTS

Table of Cocoa, Coffee, and Sugar prices.

MEAT AND LIVESTOCK

Table of Live Cattle, Pork Bellies, and Live Hogs prices.

ENERGY

Table of Crude Oil NYMEX and Heating Oil NYMEX prices.

PRECIOUS METALS

Table of London Bullion Market prices for Gold, Silver, and Platinum.

NATURAL GAS NYMEX

Table of Natural Gas NYMEX prices.

UNLEADED GASOLINE

Table of Unleaded Gasoline NYMEX prices.

FUTURES DATA

Table of Futures Data for various commodities.

MINOR METALS

Table of Minor Metals prices.

VOLUME DATA

Table of Volume Data for various commodities.

JOTTER PAD

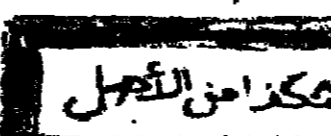
Table of London Traded Options prices.

CROSSWORD

Crossword puzzle grid with clues and a solution key.

Solution 9,199

Solution key for the crossword puzzle.









Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

• FT Cyteline Unit Prices are available over the telephone. Call the FT Cyteline Help Desk on (44 171) 873 4978 for more details.

LUXEMBOURG (SIB RECOGNISED)

Table listing various offshore funds and insurances under the LUXEMBOURG section, including fund names, ISIN codes, and performance metrics.

FT MANAGED FUNDS SERVICE

Table listing various offshore funds and insurances under the FT MANAGED FUNDS SERVICE section, including fund names, ISIN codes, and performance metrics.

FINANCIAL TIMES WEDNESDAY OCTOBER 16 1996

Table listing various offshore funds and insurances under the FINANCIAL TIMES WEDNESDAY OCTOBER 16 1996 section, including fund names, ISIN codes, and performance metrics.

مركز من التمويل



FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4376 for more details.

Table of fund prices and performance for various categories including Global, UK, and Offshore funds.

Table of fund prices and performance for various categories including Global, UK, and Offshore funds.

Table of fund prices and performance for various categories including Global, UK, and Offshore funds.

Advertisement for Macmillan Appeal: HELP FILL THE CARE GAP IN BRITAIN. Includes text about cancer care and a donation form.

OTHER OFFSHORE FUNDS

Table listing other offshore funds and their details.

MANAGED FUNDS NOTES: Information regarding fund management, risks, and performance metrics.



LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

CHEMICALS - Cont.

Table listing companies in the Chemicals sector (continued) with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table listing companies in the Electronic & Electrical Equipment sector (continued) with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Table listing companies in the Extractive Industries sector (continued) with columns for company name, price, and change.

HOUSEHOLD GOODS - Cont.

Table listing companies in the Household Goods sector (continued) with columns for company name, price, and change.

INVESTMENT TRUSTS - Cont.

Table listing investment trusts with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks & Merchant sector with columns for company name, price, and change.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, price, and change.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, price, and change.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, price, and change.

INSURANCE

Table listing companies in the Insurance sector (continued) with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing investment trusts with columns for company name, price, and change.

BANKS, RETAIL

Table listing companies in the Banks & Retail sector with columns for company name, price, and change.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Restaurants sector with columns for company name, price, and change.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing investment trusts with columns for company name, price, and change.

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BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, price, and change.

ENGINEERING - Cont.

Table listing companies in the Engineering sector (continued) with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers sector (continued) with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing investment trusts with columns for company name, price, and change.

Advertisement for Rockwell Avionics with the text: 'In Europe's crowded skies, Rockwell Avionics plays a key role in promoting safety and efficiency.' and the Rockwell logo.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats & Merchants sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Equipment sector with columns for company name, price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

ENGINEERING - Cont.

Table listing companies in the Engineering sector (continued) with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Table listing companies in the Food Producers sector (continued) with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing investment trusts with columns for company name, price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector (continued) with columns for company name, price, and change.

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EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector (continued) with columns for company name, price, and change.



LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Table listing investment trusts with columns for name, price, and change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and change.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for name, price, and change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued).

LIFE ASSURANCE

Table listing life assurance companies with columns for name, price, and change.

MEDIA

Table listing media companies with columns for name, price, and change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for name, price, and change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for name, price, and change.

OTHER FINANCIAL

Table listing other financial companies with columns for name, price, and change.

PAPER, PACKAGING & PRINTING - Cont.

Table listing paper, packaging and printing companies (continued).

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for name, price, and change.

PROPERTY

Table listing property companies with columns for name, price, and change.

PROPERTY - Cont.

Table listing property companies (continued).

SUPPORT SERVICES - Cont.

Table listing support services companies (continued).

RETAILERS, FOOD

Table listing retailers and food companies with columns for name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and change.

SUPPORT SERVICES

Table listing support services companies with columns for name, price, and change.

TELECOMMUNICATIONS - Cont.

Table listing telecommunications companies (continued).

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for name, price, and change.

TOBACCO

TRANSPORT

Table listing tobacco and transport companies with columns for name, price, and change.

WATER

Table listing water companies with columns for name, price, and change.

AIM - Cont.

Table listing AIM companies (continued).

AMERICANS

Table listing American companies with columns for name, price, and change.

CANADIANS

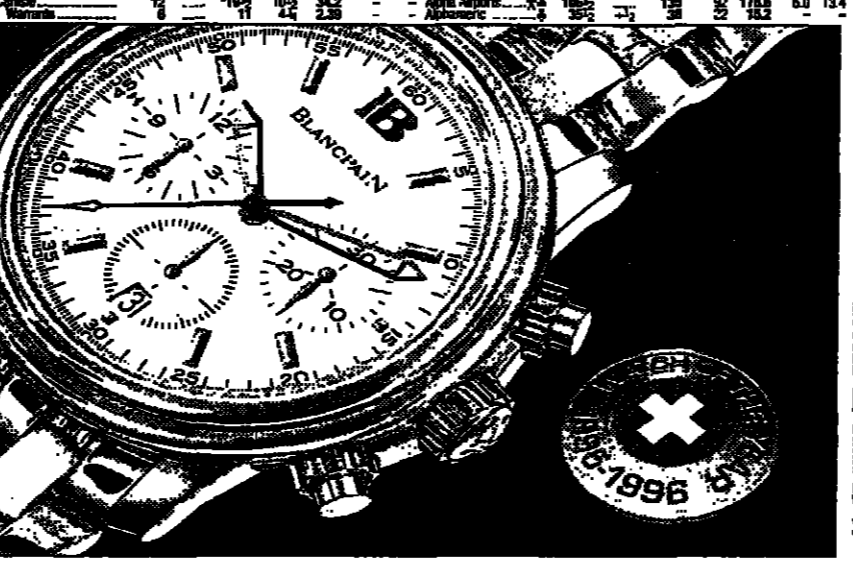
Table listing Canadian companies with columns for name, price, and change.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and change.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Ecol, part of Financial Times Information. Company classifications are based on those used for the FTSE Securities Share Index.



PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM

Table listing AIM companies with columns for name, price, and change.

FT Free Annual Reports Service. You can obtain the current annual/interim report of any company annotated with FT. Please quote the code FT1303.



LONDON STOCK EXCHANGE

Investors push Footsie to yet another peak

MARKET REPORT

By Philip Coggan, Markets Editor

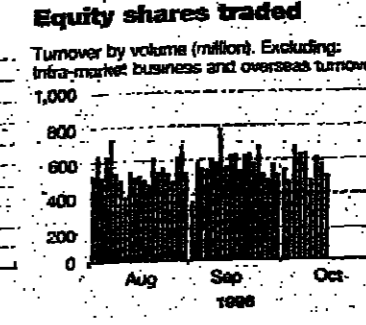
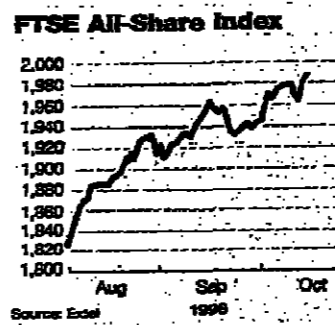
The London market continued its seemingly relentless rise yesterday with the FTSE 100 index setting record intraday and closing highs.

Continued its recent rally and gained two pennings against the D-Mark on the day, while gilts were also buoyant, with the benchmark 10-year issue rising by around a third of a point.

The Dow opened strongly again yesterday, with the help of good results from a host of corporate giants, including those of Intel, which were published after the US markets closed on Monday.

settled 12.1 points higher at 4,050.8. Junior indices also made modest gains, with the FTSE 250 rising 5.4 to 4,448.9 and the Small-Cap 6.0 to 2,188.4.

and everyone seems to be a buyer," says Mr Tim Brown, strategist at UBS, although he warns that, technically, the market looks vulnerable. "It is a bit too high but not dramatically so."



Indices and rates table showing FTSE 100, FTSE 250, FTSE 350, FTSE All-Share, and FTSE All-Share yield with their respective values and changes.

Best performing sectors table listing Gas Distribution, Media, Diversified Inds, Banks/Merch, and Support Services with their percentage changes.

Standard under pressure

By Steve Thompson and Peter John

Standard Chartered was the worst performer in the leading index throughout the morning session as the shares reacted violently to news that Cazenove, the bank's own stockbroker, had adopted a slightly more cautious line on the stock.

cut down on the leaks, the Orwat announcement immediately raised the prospect of greater capital expenditure. Expenditure is also likely to rise because of tougher European directives on the lead content in water.

price review of the water industry, but since it was widely expected, the news caused only modest damage to share prices in the sector.

est casino owner in the UK with 25 gaming clubs, settled 4% higher at 448.7p. Ladbroke gained 3% to 208p.

took place yesterday in Wolstenholme Rink, the chemicals company. The trade was struck at 875p a share against a ruling Seaq spread of 860p to 880p.

FUTURES AND OPTIONS

Table showing FTSE 100 Index Futures (LFFE) and FTSE 100 Index Options (LFFE) with prices, changes, and volumes.

TRADING VOLUME

Table showing Major Stocks Yesterday with columns for Volume, Closing Price, and Change.

Standard shares hit an all-time high of 729.5p at the end of August, but have subsequently attracted profit-taking. They dropped below the 700p mark yesterday, settling a net 18 off at 693.5p.

Regional electricity stocks fell back as Goldman Sachs took the axe to its recommendations. The broker has focused on Northern as the company likely to experience the heaviest dividend cut.

Commercial Union continued to catch the eye, hitting 690p early on before slipping back to close a net 12 off at 665.5p.

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LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues in London with columns for Issue Amt, Mkt Price, and Class.

You might say recovery has taken a while. We'd be the first to agree.

Credit Lyonnais has achieved a convincing return to profit.

Credit Lyonnais' banking activity is profitable.

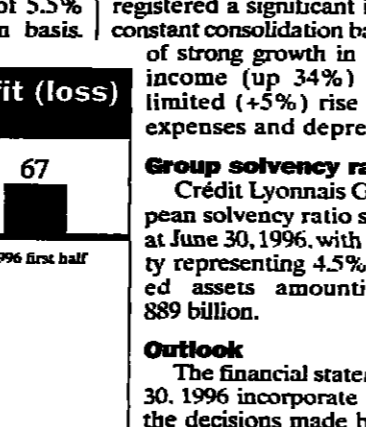
Total banking income came to FRF 21.5 billion, compared with FRF 22.1 billion at June 30, 1995.

Risks are under control

Net operating provisions total FRF 2.3 billion, versus FRF 2.5 billion for the first half of 1995, representing a decline of 7.2% but a rise of 5.5% on a constant consolidation basis.

reflecting strong performances in all geographic regions. Operating income before provisions on capital market activities registered a significant increase, on a constant consolidation basis, as a result of strong growth in total banking income (up 34%) and a more limited (+5%) rise in operating expenses and depreciation.

Group share in net profit (loss)



Group solvency ratios

Credit Lyonnais Group's European solvency ratio stood at 8.7% at June 30, 1996, with tier one equity representing 4.5%, and weighted assets amounting to FRF 889 billion.

Outlook

The financial statements at June 30, 1996 incorporate the effects of the decisions made by the French Government and announced in a press statement released by the Ministry of the Economy and Finance on September 25, stating that: "the Government has decided to neutralize the impact on Credit Lyonnais of the loan to EFFR. The necessary measures will be considered and introduced in consultation with the bank's management. For the time being, and as a safeguard measure, the Government has decided to increase the interest rate paid on this loan for fiscal 1996 to 5.84%, and retroactively for 1995 to 7.45%. These interest rates correspond to the average cost to Credit Lyonnais of funding the EFFR loan. The European Commission has today approved this latter measure."

FTSE Actuaries Share Indices

Table showing FTSE Actuaries Share Indices with columns for Day's change, Oct 14, Oct 11, Oct 10, Year ago, Div. yield, Net yield, P/E ratio, Xd adj, Total Return.

FTSE Actuaries Industry Sectors

Table showing FTSE Actuaries Industry Sectors with columns for Day's change, Oct 14, Oct 11, Oct 10, Year ago, Div. yield, Net yield, P/E ratio, Xd adj, Total Return.

Hourly movements

Table showing hourly movements for FTSE 100, FTSE 250, and FTSE 350 from 9.00 to 16.10.

FTSE 350 Industry baskets

Table showing FTSE 350 Industry baskets with columns for Basket, Open, 9.00, 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, 16.10, Close, Previous Change.

Operating income before provisions was up 20.1% at FRF 4.2 billion. On a constant consolidation basis, after eliminating the impact of the EFFR loan and non-recurring operations, this income increased by 18.4%, reflecting faster growth in total banking income (+3.9%) than in operating expenses and depreciation (+1%). In constant francs, at constant exchange rates and adjusted for accounting changes, operating expenses and depreciation would have dropped 0.2%.

However, this change includes a general provision of nearly FRF 300 million. All four profit centers are positive. In France, commercial banking conditions remain difficult, as a result of persistently weak lending volumes, in the corporate sector especially, and inadequate margins.

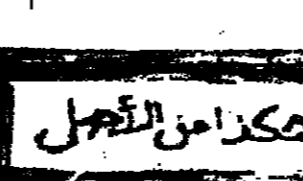
In the rest of Europe, and on a constant consolidation basis, the situation is improving in terms of both operating income before provisions (up 23%) and risks, with a 44% fall in provisions. In the rest of the world, commercial banking posted a 14.2% rise in operating income before provisions, on a constant consolidation basis.

CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED Net Asset Value. China Merchants China Direct Investments Limited announces that as at 30th September, 1996, the unaudited consolidated net asset value per share of the Company was US\$1.073.

THE TOP OPPORTUNITIES SECTION For senior management positions. For information please contact: Robert Hunt +44 0171 873 4095

FTSE 100 4050.8 +12.1, FTSE 250 4448.9 +5.4, FTSE 350 2013.3 +5.2, FTSE All-Share 1986.18 +5.20, FTSE All-Share yield 3.72. Best performing sectors: 1 Gas Distribution -2.0, 2 Media +1.3, 3 Diversified Inds +1.3, 4 Banks/Merch +1.2, 5 Support Services +1.0.

FTSE 100 Index Futures (LFFE) 225 per full index point (AP7). FTSE 100 Index Options (LFFE) 100 per full index point (AP7). TRADING VOLUME: Major Stocks Yesterday.





Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

High Low 52w High Low 52w High Low 52w High Low 52w High Low 52w

EUROPE

EUROPE (Oct 15 / %)

Table of European stock market data including indices like EURO STOXX 50 and individual country indices like UK, France, Germany, Italy, Spain, Greece, Ireland, Portugal, Netherlands, Belgium, Denmark, Norway, Sweden, Finland, Switzerland, Austria, and Luxembourg.

UK (Oct 15 / %)

Table of UK stock market data including indices like FTSE 100 and FTSE 250.

FRANCE (Oct 15 / %)

Table of French stock market data including indices like CAC 40.

GERMANY (Oct 15 / %)

Table of German stock market data including indices like DAX.

ITALY (Oct 15 / %)

Table of Italian stock market data including indices like ISEQ.

SPAIN (Oct 15 / %)

Table of Spanish stock market data including indices like IBEX 35.

GREECE (Oct 15 / %)

Table of Greek stock market data including indices like ASE.

IRELAND (Oct 15 / %)

Table of Irish stock market data including indices like ISEQ.

PORTUGAL (Oct 15 / %)

Table of Portuguese stock market data including indices like IML.

NETHERLANDS (Oct 15 / %)

Table of Dutch stock market data including indices like AEX.

BELGIUM (Oct 15 / %)

Table of Belgian stock market data including indices like BEL 20.

DENMARK (Oct 15 / %)

Table of Danish stock market data including indices like OMX.

NORWAY (Oct 15 / %)

Table of Norwegian stock market data including indices like OBX.

SWEDEN (Oct 15 / %)

Table of Swedish stock market data including indices like OMX.

FINLAND (Oct 15 / %)

Table of Finnish stock market data including indices like HEX.

SWITZERLAND (Oct 15 / %)

Table of Swiss stock market data including indices like SMI.

AUSTRIA (Oct 15 / %)

Table of Austrian stock market data including indices like WSE.

LUXEMBOURG (Oct 15 / %)

Table of Luxembourg stock market data including indices like BELX.

NETHERLANDS (Oct 15 / %)

Table of Dutch stock market data including indices like AEX.

NETHERLANDS (Oct 15 / %)

Table of Dutch stock market data including indices like AEX.

Advertisement for Peregrine: Money Talks In Asia. We speak Asia's language. Peregrine is a leader in Asian corporate and project finance, direct investment and asset management.

PACIFIC

PACIFIC (Oct 15 / %)

Table of Pacific stock market data including indices like Nikkei 225, Hang Seng, and others.

INDONESIA (Oct 15 / %)

Table of Indonesian stock market data including indices like IHSG.

MALAYSIA (Oct 15 / %)

Table of Malaysian stock market data including indices like FTSE Bursa Malaysia.

NEW ZEALAND (Oct 15 / %)

Table of New Zealand stock market data including indices like NZSE.

NEW ZEALAND (Oct 15 / %)

Table of New Zealand stock market data including indices like NZSE.

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Table of New Zealand stock market data including indices like NZSE.

NEW ZEALAND (Oct 15 / %)

Table of New Zealand stock market data including indices like NZSE.

NEW ZEALAND (Oct 15 / %)

Table of New Zealand stock market data including indices like NZSE.

AFRICA

AFRICA (Oct 15 / %)

Table of African stock market data including indices like JSE, NSE, and others.

AFRICA

AFRICA (Oct 15 / %)

Table of African stock market data including indices like JSE, NSE, and others.

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Table of African stock market data including indices like JSE, NSE, and others.

AFRICA

AFRICA (Oct 15 / %)

Table of African stock market data including indices like JSE, NSE, and others.

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INDICES

Oct 15 14 13 12 11 10 1996 Low

Table of various stock indices including Dow Jones, Nikkei, Hang Seng, and others.

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US STOCKS

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Table of US stock market data including indices like S&P 500, Dow Jones, and others.

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COMMODITIES

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Table of commodity prices including oil, gold, and other metals.

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Market summary and closing notes for various regions and indices.



NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'. The table is organized into columns and rows, with various stock symbols and their corresponding market data.

Advertisement for Hewlett-Packard. Text: 'Reach for it. If the business decisions are yours, the computer system should be ours. http://www.hp.com/go/computing'. Includes the Hewlett-Packard logo.

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Continued on next page



NYSE PRICES

NASDAQ NATIONAL MARKET

Table of NYSE stock prices including columns for stock name, price, and change.

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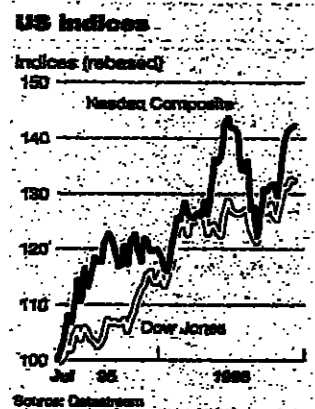
Table of NYSE stock prices including columns for stock name, price, and change.

Large advertisement for 'Turkey' featuring the text 'Have your FT hand delivered in Turkey' and 'Financial Times, World Business Newspaper'.



Profit-taking pulls Dow from peak

Profit-taking sent US shares lower in early afternoon... The Dow Jones Industrial Average had finally pierced the 6,000 point level...



26.46 lower at 5,983.54. The Standard & Poor's 500 also reversed early gains and fell below the 700-point level...

Mexico slips further

MEXICO CITY continued to slide at midsession as a nervous market waited for the peso to stabilize... The IPC index, which fell 1.4 per cent on Monday...

S Africa remains at a high

Johannesburg's all-share index held on to early gains to finish the day at a second consecutive record high... The overall index rose 1.6 to 7,078.1...

EUROPE

Overnight strength in the Dow combined with gains in the dollar, bonds and commodities to lift European equities... Frankfurt put the accent on carmakers...

FTSE Actuaries Share Indices

Table with columns for Date, Index Name, and values for Oct 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31.

Dresden and Deutsche as sellers on the grounds that they were not creating shareholder value... Amsterdam saw Royal Dutch up another Ft 3.20...

Nikkei up 1.9% in fourth-largest rise of year

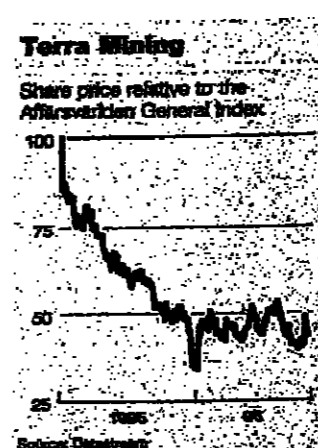
A strong surge of buying broke TOKYO out of its recent torpor... The Nikkei average registered its fourth largest rise...



Y1,830 and Advantest Y210 to Y4,600.

West Japan Railway (JR West), closely watched by investors in the wake of its market debut last week...

upwards at the same time. The sector rose 2.2 per cent with Astra up SKr6 to SKr302.50...



of its troubled Rueti weaving machine business. MILAN found support for a technical rebound in Wall Street's early strength...

L138 to L7,506 ahead of next week's share placement. Fiat finished L34 higher at L3,998 after a low of L3,940...

Asia Pacific

Investors were inspired by the overnight peak on Wall Street, according to traders who said that Tokyo's fresh activity could indicate a shift in the market mood...

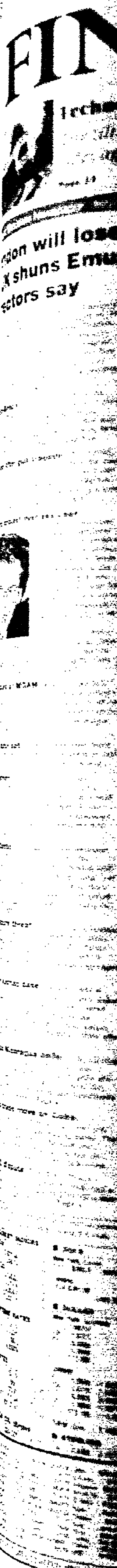
The DSE index rose 122.44 to 1,916.03, but in sharply lower turnover of Tk70.6m, with many investors unwilling to book losses.

after the market regulator set the limit of price fluctuations of shares within 10 per cent of the previous day's price...

FT/S&P ACTUARIES WORLD INDICES

Large table with columns for National and Regional Markets, Monday October 14 1996, and Friday October 11 1996. Includes sub-tables for National and Regional Markets.

etail advertisement with text: 'What concentrates our mind? The thought that unless we continue to be brighter and work better we do not have a future. Which is why from advice to implementation, cross-border, cross-sector, we intend to work until the job is not only done, but done well. Let there be no mistake.' Includes logo for etail and text 'INVESTMENT BANKING. FROM A TO B'.



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